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POTATO MARKETING ORDERS

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HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES

OF THE

COMMITTEE ON AGRICULTURE AND FORESTRY

UNITED STATES SENATE

NINETY-FIRST CONGRESS

FIRST SESSION

ON

S. 2214

A BILL TO AMEND SECTION 608(c) (2) OF THE AGRICULTURAL
MARKETING AGREEMENT ACT OF 1937, AS AMENDED

JUNE 10, 1969

Printed for the use of the Committee on Agriculture and Forestry



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WASHINGTON : 1969

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POTATO MARKETING ORDERS

TUESDAY, JUNE 10, 1969

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,
MARKETING AND STABILIZATION OF PRICES
OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 o'clock a.m., in room 324, Old Senate Office Building, Hon. Spessard L. Holland (chairman of the subcommittee) presiding.

Present: Senators Holland, Talmadge, Jordan of North Carolina, and Curtis.

Senator HOLLAND. The subcommittee will please come to order. The subcommittee is holding hearings today on S. 2214. This bill would exempt all potatoes for processing from the Secretary of Agriculture's authority to issue marketing orders under the Agricultural Adjustment Act. Potatoes for canning or freezing are already exempt from that authority, so the effect of the bill would be to exempt potatoes for other kinds of processing, such as those used in producing potato chips, instant mashed potatoes, and other potato products which are neither canned nor frozen.

A copy of the bill and a staff explanation of it will be inserted in the record at this point.

(The documents referred to follow:)

[S. 2214, 91st Cong., first sess.]

A BILL To amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended, is amended as follows:

(1) In subparagraph (A) after the words "vegetables (not including vegetables, other than asparagus, for canning or freezing)", insert the words "and not including potatoes for canning, freezing, or other processing"; and

(2) In subparagraph (B) after the words "fruits and vegetables for canning or freezing," insert the words "including potatoes for canning, freezing, or other processing,".

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY—STAFF EXPLANATION OF
S. 2214, JUNE 7, 1969

Short Explanation: This bill exempts potatoes for processing from marketing orders. Potatoes for canning or freezing, like most fruits and vegetables for canning or freezing, are already exempt; and the bill would accord the same treatment to potatoes for other kinds of processing.

Departmental Views: Not yet received.

Suggested Amendments: (1) The section to be amended is section 8c(2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation. The title and lines 3 and 4 of the bill should be corrected accordingly.

(2) On lines 5 and 9 "subparagraph" should be stricken and "clause" should be inserted.

(3) The bill or the report should indicate what operations constitute processing.

Senator HOLLAND. I have quite a list of witnesses here, and I want to give notice that if we do not complete the list this morning we will have to let everybody else file the statement because I have other hearings this afternoon and continuously thereafter.

STATEMENT OF FLOYD F. HEDLUND, DIRECTOR, FRUIT AND VEGETABLE DIVISION, CONSUMER AND MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Senator HOLLAND. Our first witness is Mr. Hedlund who is from the Fruit and Vegetable Division, Consumer and Marketing Service, the U.S. Department of Agriculture.

Mr. HEDLUND. Mr. Chairman, and members of the committee, S. 2214 is a bill to add to the canning and freezing exemption in the Agricultural Marketing Agreement Act of 1937, as amended, potatoes for "other processing." This bill would exempt potatoes for dehydration, potato chips, starch, and flour from regulation by marketing orders under the act.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the act.

The use of potatoes for food processing has been increasing sharply. Only about 14 percent of the 1956 crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume in 1967, but large quantities were also used for dehydration and potato chips. Dehydrated potato processing increased sixfold during the 1956 to 1967 period, while the use of potatoes for chipping and the like more than doubled. Utilization data for the 1968 crop will not be available until September; however, trade reports indicate that the use of potatoes for processing, particularly freezing, continues to increase. Continued expansion of potato sales to food processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. Five of these orders authorize the regulation of potatoes for dehydration and "other processing."

Some of the marketing order programs date back many years. In 1967, areas operating under Federal marketing orders produced approximately 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crops. It is estimated that of the 1967 potato crop, 64 million hundredweight of potatoes were used for dehydration, potato chips, shoestring potatoes, starch, and flour. Of this quantity, 32 million hundredweight were produced in areas covered by marketing orders.

The Agricultural Marketing Agreement Act of 1937 authorizes marketing orders for specified agricultural commodities as a means of increasing returns to producers. These programs are administered locally by industry-nominated committees made up of producers and handlers of potatoes. Their activities are financed by industry-paid assessments.

Attached are tabulations showing the U.S. production of potatoes in 1968 and utilization of the potato crop from 1956 through 1967.

May I add, Mr. Chairman, that the Department report on this bill has been approved and will be here very shortly.

Thank you.

(The tables referred to above are as follows:)

POTATO PRODUCTION, BY STATES, IN 1968 AND PERCENTAGE OF U.S. TOTAL, PRODUCED IN EACH STATE

State	Production (hundredweight in thousands)	Percent of total	State	Production (hundredweight in thousands)	Percent of total
Alabama.....	2,085	0.7	Nevada.....	138	(1)
Arizona.....	2,323	.8	New Hampshire.....	230	.1
Arkansas.....	126	(1)	New Jersey.....	3,570	1.2
California.....	29,629	10.1	New Mexico.....	774	.3
Colorado.....	11,005	3.8	New York.....	17,158	5.8
Connecticut.....	1,254	.4	North Carolina.....	1,986	.7
Delaware.....	1,539	.5	North Dakota.....	15,660	5.3
District of Columbia.....			Ohio.....	3,145	1.1
Florida.....	6,767	2.3	Oklahoma.....	30	(1)
Georgia.....			Oregon.....	12,290	.42
Idaho.....	59,505	20.3	Pennsylvania.....	7,585	2.6
Illinois.....	414	.1	Rhode Island.....	1,260	.4
Indiana.....	1,381	.5	South Carolina.....	40	(1)
Iowa.....	576	.2	South Dakota.....	621	.2
Kansas.....	124	(1)	Tennessee.....	314	.1
Kentucky.....	195	.1	Texas.....	4,382	1.5
Louisiana.....	145	(1)	Utah.....	1,072	.4
Maine.....	36,890	12.6	Vermont.....	285	.1
Maryland.....	414	.1	Virginia.....	4,332	1.5
Massachusetts.....	1,036	.4	Washington.....	24,173	8.2
Michigan.....	8,067	2.7	West Virginia.....	390	.1
Minnesota.....	13,919	4.7	Wisconsin.....	11,895	4.0
Mississippi.....	188	.1	Wyoming.....	608	.2
Missouri.....	240	.1			
Montana.....	1,458	.5	Total.....	293,438	100.0
Nebraska.....	2,220	.8			

¹ Less than $\frac{1}{10}$ of 1 percent.

² Includes $\frac{3}{10}$ of 1 percent not allocated.

Source: Statistical Reporting Service, U.S. Department of Agriculture.

POTATOES: UTILIZATION OF 1956-67 CROPS
[1,000 hundredweight]

Utilization items	Crop year											
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Fresh food:												
Tablestock.....	146,048	148,408	148,868	148,497	149,002	153,594	149,710	146,981	129,513	139,542	133,856	131,367
On farm.....	9,312	8,176	7,279	5,913	5,310	4,773	3,955	3,400	2,776	2,597	2,378	2,289
Subtotal.....	153,360	156,584	156,147	154,410	154,312	158,367	153,665	150,381	132,289	142,139	136,234	133,656
Processed food:												
Chips, etc.....	14,566	17,356	17,063	20,085	21,018	22,642	24,086	26,693	29,783	31,292	32,729	23,699
Dehydration.....	3,223	3,776	5,917	7,656	10,104	8,518	9,280	9,909	10,801	20,166	19,811	19,084
Frozen.....	4,675	4,827	8,263	9,918	15,042	18,138	18,400	22,425	23,654	37,302	29,631	39,609
Canned.....	2,283	2,606	2,864	2,447	2,809	2,775	2,926	3,240	3,201	3,348	3,386	3,480
Subtotal.....	24,747	28,565	34,107	40,106	48,973	52,073	54,692	62,267	66,439	92,108	95,557	94,872
(1) Total, food.....	180,107	185,149	190,254	194,516	203,285	210,440	208,357	212,648	198,718	234,247	231,791	228,528
(2) Starch, flour.....	18,336	12,691	18,387	7,718	10,177	20,493	11,285	11,737	2,990	8,081	11,001	12,049
(3) Feed sales.....	7,675	8,950	18,918	6,607	5,348	20,340	7,913	10,103	5,587	5,797	8,440	16,171
Feed on farm.....	4,148	2,718	3,916	3,104	2,940	4,192	3,340	3,087	1,871	2,179	2,930	2,781
Total.....	11,823	11,668	22,834	9,711	8,288	24,532	11,253	13,190	7,458	7,796	11,370	18,952
(4) Seed sales.....	13,435	13,641	13,079	13,583	14,823	13,823	14,333	14,159	14,203	16,992	16,173	15,877
Seed on farm.....	6,752	7,577	7,086	7,093	7,560	7,191	5,955	5,911	7,363	6,510	8,113	7,436
(5) Shrinkage, loss.....	20,187	21,218	20,165	20,676	22,383	21,014	20,288	20,070	21,566	23,502	24,286	23,313
Total.....	15,339	11,796	15,257	12,651	12,971	16,687	13,627	13,513	10,334	17,433	28,454	22,570
Total, production.....	245,792	242,522	266,897	245,272	257,104	293,166	264,810	271,158	241,076	291,169	306,902	305,412

Source: Annual reports of the Statistical Reporting Service, U.S. Department of Agriculture.

Senator HOLLAND. Well, I can see some reasons for exempting potatoes which are designed to go into starch. I think it is found in other products that deal with human consumption. The same thing would be true for potatoes for alcohol. I do not know if that is being used that way now. They used to be. I do not understand why there is any justification for exempting potatoes which are intended for human consumption such as potato chips and others mentioned by your statement, to wit, of course, do enter into the competition with potatoes used for other human consumption purposes.

What is your attitude on that?

Mr. HEDLUND. Well, Mr. Chairman, a number of food products use potatoes to manufacture potato products that are all in competition with each other. I think there is some measure of reason why they should all be on a uniform competitive basis.

Senator HOLLAND. You mean then on a competitive basis with other products or with the fresh potatoes?

Mr. HEDLUND. With other products. That is what the bill is designed to do. We have pointed out that this makes it difficult as far as regulating the fresh potato outlet as a means of increasing the returns to producers.

Senator HOLLAND. Well, the fresh potatoes to go to a plant and be turned into potato chips compete in the market where he purchases these and where dealers are selling fresh potatoes for human consumption. Does not it come under this?

Mr. HEDLUND. Well——

Senator HOLLAND. What justification would there be for exempting them from control in the same way that these others would be covered?

Mr. HEDLUND. Well, I believe that the background thinking here is that inasmuch as potatoes for canning and freezing are now exempt, other potato processors are desirous of being in that same position because they compete with each other. I think this is an effort to equalize among processors.

Senator HOLLAND. Well, after all, the producers of potatoes are interested in the whole field; are they not?

Mr. HEDLUND. Yes, sir.

Senator HOLLAND. And if they get any advantage from the agreement and order it would flow from their consideration of the whole field of potatoes that are consumed by the public, would they not?

Mr. HEDLUND. Yes, sir; Mr. Chairman, and that is the reason we have suggested that a method of squalizing would be to cover all potatoes. This would result in covering all fresh potatoes as well as all processed potatoes. They would all be in the same category.

Senator HOLLAND. You mean that you feel that potatoes that would be used for production of starch or alcohol have also been covered?

Mr. HEDLUND. Yes. I suppose that is the net result.

Under present conditions no potatoes are being used for alcohol, although substantial quantities are being used for potato starch.

Senator HOLLAND. There was a quantity once used for alcohol production; was there not?

Mr. HEDLUND. Yes, there was during World War II. A great many potatoes were used for alcohol during the war.

Senator HOLLAND. You state now that there is no such use?

Mr. HEDLUND. I do not know of any in the United States.

Senator HOLLAND. I note that you said that there is a group of marketing agreements now in force which covers, by regulation, those potatoes designed for dehydration and other processing which would include potato chips, shoestring, and perhaps some other processing for human consumption?

Mr. HEDLUND. Yes, sir.

Senator HOLLAND. You say five of these orders authorize that kind of regulation. What States have those orders? What areas?

Mr. HEDLUND. The State of Washington, the State of Oregon and northern California, the State of Colorado, and the State of Idaho.

Senator HOLLAND. That is five.

Mr. HEDLUND. And the State of Maine.

Senator HOLLAND. That would be six, then.

Mr. HEDLUND. Well, one of those orders covers two States, Mr. Chairman.

Senator HOLLAND. I see.

What proportion of total production of potatoes is covered by those orders? Idaho and Maine, as I recall it, are the principal producing States.

Mr. HEDLUND. Well, in 1967 the marketing orders, all marketing orders, covered about one-half the total potato crop in the United States.

Senator HOLLAND. What is the provision of the potato bill which you had hearings on a few weeks ago that dealt with the purpose of exempting any of these processed potatoes?

Mr. HEDLUND. Mr. Chairman, I believe that bill did not specifically exempt any kind of potatoes. It did authorize, as I understand it, a provision whereby they could exempt potatoes for nonfood uses.

Senator HOLLAND. What was the provision as to who could exempt them? Was it the Secretary or the Commission or what was the body that could effect that exemption?

Mr. HEDLUND. The exemption can be made under the order through the hearing process and final issuance by the Secretary.

Senator HOLLAND. Then the final authority would be proposed by the Secretary of Agriculture?

Mr. HEDLUND. I think that would be true.

Senator HOLLAND. Are there any State orders or marketing agreements in effect? I note that you confined your statement to Federal marketing agreements and orders.

Mr. HEDLUND. Yes, sir, I did.

Senator HOLLAND. Are there any State orders?

Mr. HEDLUND. Yes, there are some State orders in effect.

There is one in Colorado, for example, that operates in conjunction with the Federal order.

There are programs in the Red River Valley of North Dakota and Minnesota, as I understand it, and that have for their purpose the collection of assessments for promotion of potatoes in that area. I do not know that it provides for any other type of regulation. Beyond that, I am not familiar with other State marketing orders on potatoes.

Senator HOLLAND. You know, of course, that some of the States have a very helpful marketing agreement and orders, for instance, the California peach order. Is there anything such as that in effect? This has been a very far-reaching effect. They are even setting up a pool for the elimination of the portion of crop as may be necessary.

Is there anything like this in any State affecting the production of white potatoes?

Mr. HEDLUND. No, I do not believe so, Senator. That legislation in California, however, is available for potatoes in that State, but at the moment I do not believe there is any program in effect for potatoes.

Senator HOLLAND. Well, the effect of this bill, then, is to point up a question of whether all potatoes for human consumption should be subjected to the provision of marketing agreements and orders on the Federal scale, whether all potatoes for processing for human consumption should be excluded from such orders. Is that the view of the matter?

Mr. HEDLUND. That is the issue, Mr. Chairman.

Senator HOLLAND. Senator Talmadge?

Senator TALMADGE. Does the Department support this bill in its present form?

Mr. HEDLUND. Well, the Department has taken the position that there is some merit in the idea of having all processed products on an equal basis when it comes to potatoes.

We have suggested that an alternative to this would be to cover all potatoes under the statute which would equalize all processed as well as all fresh market potatoes.

Senator TALMADGE. In other words, you are for one or the other?

Mr. HEDLUND. Yes, sir. I think we are for one or the other, but at the same time protecting the interests of potato producers.

Senator TALMADGE. You do not know which one?

Mr. HEDLUND. Well—

Senator HOLLAND. Well, my understanding from the witness' earlier statement was that there was a letter from the Department which we may expect to receive very shortly stating the Department's position. Are we to assume that the Department's position will be in strict accord with the statement that you made?

Mr. HEDLUND. Yes, sir. I think you can assume that.

Senator HOLLAND. Very good.

(The report is as follows:)

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, June 10, 1969.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of May 22 requesting a legislative report by the Department on S. 2214, a bill to amend Section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended. This bill would exempt potatoes for "other processing" from marketing orders.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this Act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for planning and freezing thereby including all potatoes under the Act.

The use of potatoes for food processing has increased sharply during the past decade. Only 14 percent of 1956-crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume, but large quantities were used for canning, potato chips and shoestrings, and dehydration. Dehydrated potato processing increased six-fold during the 1956 to 1967 period, while the use of potatoes for chipping and shoestring potatoes more than doubled. Continued expansion of sales to all food processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. In 1967, these areas produced about 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crop. Departmental data show that "other processing" in 1967 which the bill would exempt from coverage under the Act totaled about 64 million hundredweight of potatoes used for dehydration, chips, shoestrings, starch, and flour. It is estimated that about one-half of this quantity is processed in areas operating under marketing orders.

The enactment of this bill would not result in added costs to the Department.

In view of the time situation, we have not obtained from the Bureau of the Budget advice regarding the relationship of this proposed legislation to the President's program.

Sincerely,

J. PHIL CAMPBELL, *Acting Secretary.*

Senator TALMADGE. As I understand this bill it exempts potatoes for processing from marketing orders?

Mr. HEDLUND. Yes, sir; Senator Talmadge. The statute now exempts potatoes for canning and freezing from marketing orders. The purpose of this bill is to extend that exemption to potatoes for other processing uses.

Senator TALMADGE. Whatever that processing may be?

Mr. HEDLUND. Yes, sir.

Senator TALMADGE. Does it relate only to what we call Irish potatoes? Does it relate to any other potatoes?

Mr. HEDLUND. It is my understanding that it relates only to what we call Irish potatoes and not sweetpotatoes.

Senator TALMADGE. And of the Irish potatoes, does it relate to all types? We have an earlier potato, which is red, which we grow in the South. There is a late potato which is white, and which is grown in other areas of the country. We can grow both varieties, but most of our potatoes are what we call new potatoes and are on the fresh market. Does it relate to both types of potatoes?

Mr. HEDLUND. I believe so. It relates to all Irish potatoes.

Senator TALMADGE. Does this market order operate nationally or is it just in certain areas of the country?

Mr. HEDLUND. The statute, of course, is applicable nationally. We do not have any marketing orders except State or regional.

Senator TALMADGE. Where are they? Do you know?

Mr. HEDLUND. They are in the State of Washington; we have one covering Oregon and northern California; one in Idaho; one in Colorado; one in Maine, and also one in Virginia, and North Carolina.

Senator TALMADGE. In other words, the principal potato producing areas in the country?

Mr. HEDLUND. Many of the principal potato areas. California is an important potato area. It is not covered other than two northern counties.

Senator TALMADGE. Do they have a State order?

Mr. HEDLUND. They do not have a State order as far as I know.

Senator TALMADGE. Thank you, Mr. Chairman. No further questions.

Senator HOLLAND. On this same line, Long Island is not covered?

Mr. HEDLUND. No, sir; it is not.

Senator HOLLAND. That is a very large producing area, is it not?

Mr. HEDLUND. Yes, as well as Pennsylvania and upstate New York.

Senator HOLLAND. And the whole southeast area, including my own State, and other producers of early potatoes are not covered?

Mr. HEDLUND. Quite true except for parts of Virginia and North Carolina.

Senator HOLLAND. My understanding is that there are State laws applicable in various areas including Maine and Idaho relating to marketing of potatoes, and that those laws are in effect at this time; is that correct?

Mr. HEDLUND. Yes, they have some State laws applicable to the potatoes, Mr. Chairman.

Senator HOLLAND. It is applicable to trading?

Mr. HEDLUND. Applicable to trading in potatoes in the States involved.

Senator HOLLAND. And some packaging laws?

Mr. HEDLUND. Correct.

Senator HOLLAND. And they do have Federal marketing orders in Maine and in Idaho and any other area that we mentioned?

Mr. HEDLUND. Yes, sir. They regulate marketing.

Senator HOLLAND. You have already stated for the record that five of these areas, I believe, excluding only the Virginia and North Carolina area in your last enumeration, covered potatoes for processing along with the fresh potatoes?

Mr. HEDLUND. Correct.

Senator HOLLAND. So the passage of this law, if it is passed as written, would operate to limit thereafter the field of coverage in such a way as to affect not less than five of the marketing orders that are already outstanding?

Mr. HEDLUND. Yes, sir. I should state, Mr. Chairman, that in the Idaho program, for example, it does not regulate potato marketing within the State of Idaho, so as a result of that any processing that takes place within the State of Idaho has not been covered and is not now covered either for dehydration or for freezing or for any other use.

Senator HOLLAND. But are exempt for the State of Idaho and in the limited way that you have mentioned marketing orders, Federal marketing orders now in effect in five States, five areas, would be for the limiting of it?

Mr. HEDLUND. They would be further limited.

Senator HOLLAND. Senator Curtis?

Senator CURTIS. In those areas where you have Federal marketing orders on potatoes, what is that Federal marketing order doing? Does it control production, fix a price, or both?

Mr. HEDLUND. Neither one, Senator Curtis. There is no authority in the statute to control production. There is no authority in the statute to fix prices. The main thing that is done under potato marketing orders is to regulate the quality of the product that goes to market.

Senator CURTIS. It is a grading requirement?

Mr. HEDLUND. Correct.

Senator CURTIS. So, conceivably a given area could be established on grading standard values, voluntarily could they not?

Mr. HEDLUND. Yes, Senator, I suppose they could.

Senator CURTIS. They would not have national recognition?

Mr. HEDLUND. It would not have, in your words "national recognition," and I think you have other laws that prevent people, voluntarily, from engaging in programs of that character.

Senator TALMADGE. I guess, for instance, forms of enforcement would be lacking, wouldn't they?

Mr. HEDLUND. Yes, sir.

Senator CURTIS. What is your means of enforcement in this?

Mr. HEDLUND. Any violation of the statute is enforced by the Federal courts.

Senator CURTIS. How much has this raised the price of the potato?

Mr. HEDLUND. I do not know.

Senator CURTIS. Is it the general belief in industry that it has raised the price?

Mr. HEDLUND. Well, that is a hard question, and it all depends on whom you ask. Suffice to say that potato producers in some areas like their program and want to continue it and believe that it is helpful to them. Other areas have not chosen to go into marketing orders. So it is difficult to determine really the precise net effects.

Senator CURTIS. But they shall operate this quite differently than, say, a marketing order in the milk?

Mr. HEDLUND. Entirely different.

Senator CURTIS. Because milk producers negotiate for a price?

Mr. HEDLUND. Exactly.

Senator HOLLAND. And in a sense control production because the amount negotiated for is the amount involved.

Mr. HEDLUND. Well, I do not want to agree or disagree on that statement. I do not know.

Senator CURTIS. I mean the effective thing, I think, is that it does limit production and that is the reason of the requirement. There is no other reason.

Well, do the processors want the bill?

Mr. HEDLUND. Well from what I heard yesterday, I believe so. I believe they are in favor of this bill, they do not care to be regulated by marketing orders.

Senator CURTIS. And how about the potato producers?

Mr. HEDLUND. Well, I did not hear all of the testimony yesterday, but I believe there are many potato producers who are very much opposed to this bill. You will probably hear from some of them this morning.

Senator CURTIS. What are you referring to as yesterday?

Mr. HEDLUND. The companion bill, H.R. 11243, was heard in the House yesterday.

Senator CURTIS. Oh, in the House.

Are the potatoes that are produced under this marketing order granted a special acceptance in the market over the potatoes not produced in the areas covered by this order?

Mr. HEDLUND. Not by reason of the order, no. By emphasizing qualities or emphasizing certain characteristics of the potatoes

growers in certain areas may develop a following in one or more markets, but there is nothing in the order, per se, that results in that.

Senator CURTIS. If I want to buy some potatoes in a market how would I know whether or not they were produced under the marketing order?

Mr. HEDLUND. You would not know, and neither would I. The only way you could know is if they were labeled as to the State of origin and that area has a marketing order. Only if you knew that fact, then would you know that they came from that area and were covered by a marketing order. For example, many Idaho potatoes are labeled in one fashion or another so that you would know where they came from.

Senator CURTIS. But they are not graded, for instance, like meat?

Mr. HEDLUND. They are inspected and certified by the U.S. Department of Agriculture under the Federal-State inspection service, but—

Senator CURTIS. Irrespective of this act?

Mr. HEDLUND. Irrespective of this act. Now, in areas that are covered by the orders inspection is mandatory; in areas not covered by orders the inspection is, for the most part, voluntary unless the State happens to make it mandatory.

Senator CURTIS. That inspection protects the wholesaler or the retailer or the consumer?

Mr. HEDLUND. Well, the inspection, I think, Senator, protects anyone who handles that potato or uses that potato.

Senator CURTIS. I would think that it might help the handlers of the potatoes, probably more than the consumer. Ultimately, the consumer looks at the potato and makes up her mind. Take someone who is buying several carloads, or many carloads at one time, to know that they are officially graded would be a tremendous help.

Mr. HEDLUND. Many potatoes are traded on the basis of U.S. grades without any personal inspections by buyer or seller.

Senator HOLLAND. One question. Talking about Idaho potatoes as being from Idaho, or Maine potatoes being from Maine, under the present marketing order is that identification under State law?

Mr. HEDLUND. It is under State law, sir.

Senator HOLLAND. That was my understanding. They require the package and identification of the product so as to advise handlers and consumers that the product comes from the State of Oregon.

Mr. HEDLUND. They both have State statutes and State promotion programs that are aimed at promoting their potatoes and identification of the State of production.

Senator HOLLAND. Senator Jordan?

Senator JORDAN. I do not have any questions.

Senator HOLLAND. Thank you very much for your presentation.

We have a statement in writing from Mr. Reuben Johnson, director of legislative services, National Farmers Union, which I ask to be incorporated in the record at this time.

Senator CURTIS. Does he support it?

Senator HOLLAND. Opposing it. I will read the first sentence and that is all that I have had a chance to read.

Off the record.

(Discussion off the record.)

(The letter referred to follows:)

WASHINGTON, D.C., June 6, 1969.

HON. SPESSARD L. HOLLAND,
Chairman, Subcommittee No. 3 of the Senate Agriculture Committee,
Senate Office Building, Washington D.C.

DEAR SENATOR HOLLAND: National Farmers Union is opposed to S. 2114 which would exempt all potatoes for processing from the provisions of the Agricultural Marketing Agreement Act of 1937. The introduction of the bill has provided the opportunity for us to strongly urge that the present exclusion of potatoes for canning and freezing under the Act be rescinded. There is absolutely no sound and practical reason why all potatoes for whatever use should not be extended Market Order coverage where producers approve.

For all practical purposes, if the legislation before the Subcommittee were approved any further development of Marketing Orders for potatoes would be extremely difficult if not impossible. The reason is that most of the areas producing potatoes produce for both fresh market and processing uses. Unless all potatoes produced are under the Market Order in a particular area effective administration of a Marketing Order would be impossible.

We urge the Subcommittee to 1) reject S. 2214 and 2) take action to amend the Agricultural Marketing Agreement Act of 1937 to provide that all potatoes, including those for canning and freezing, be covered under the provisions of the Act.

Sincerely,

REUBEN L. JOHNSON,
Director of Legislative Services, National Farmers Union.

Senator HOLLAND. Back on the record.

I understand Mr. John W. Scott, master, National Grange, is our next witness scheduled. He is on his way and we will come to him later. The same fact is in reference to Harry L. Graham, legislative representative, National Farmers Organization.

The next witness, Mr. Ralph Harding, advises that he wants to yield to Mr. Frank J. Runzler, general manager, and Anthony Giacomini, from the Pik-Nik Co., San Jose, Calif.

STATEMENT OF FRANK L. RUNZLER, GENERAL MANAGER, AND ANTHONY GIACOMINI, COUNSEL, PIK-NIK CO., SAN JOSE, CALIF.

Senator HOLLAND. Mr. Runzler and Mr. Giacomini, welcome here. Have a seat, gentlemen. You may proceed.

Mr. RUNZLER. Thank you. My name is Frank J. Runzler, and I am the general manager of Pik-Nik, Co., 214 Dupont Street, San Jose, Calif.

To better inform you, the Pik-Nik Co. is a division of Beatrice Foods Co. We process potatoes and manufacture canned french fried shoestring potatoes. This is our only business and function.

Pik-Nik sells and competes with other shoestring manufacturers in various areas. Although we are on the west coast, our largest segment of business is conducted in Illinois, Wisconsin, Iowa, Minnesota, North Dakota, South Dakota, Missouri, Kansas, and Nebraska; with some activity in Oklahoma, Kentucky, and Massachusetts. We also sell to various military installations—primarily to oversea bases. Most of our military business, until recently, was on a bid basis through the Army and Air Force exchange system for shipment to Vietnam.

Pik-Nik has been in business since 1939 and always located in San Jose, Calif. It has been a division of Beatrice Foods since 1961. We are an autonomous operation with all decisions, except approval of capital expenditures, being made in San Jose. Since the advent of

our problems with the U.S. Department of Agriculture in October of 1968, much has changed—especially our employees' morale, due to the disruptive force of present interpretation of Marketing Order No. 947. Pik-Nik has, since March 1, 1969, been operating at a loss.

Since 1942, Pik-Nik has acquired its potatoes from two regions: (1) the Klamath Basin (which includes southern Oregon and the two most northern counties in California), and (2) the central and southern areas of California.

The Klamath Basin region has, from 1942 until October of 1968, been our only source of potatoes for the winter months from October until June. Pik-Nik purchases a Russet Burbank variety potato of a U.S. No. 1 B size grade. This particular potato is an excellent product and is exactly as good as any fresh table grade A size. The only difference between the product we process and U.S. No 1 A size potatoes is the size.

When Pik-Nik first started purchasing potatoes in the Klamath Basin, the growers were most appreciative because Pik-Nik was able to use a size that previously had been discarded. Pik-Nik used potatoes that were not, and presently are not, nor will they ever be, competitive with the fresh potato market.

Senator HOLLAND. Is that on account of size?

Mr. RUNZLER. Yes, sir; primarily the size.

Senator TALMADGE. Oversized or undersized?

Mr. RUNZLER. It would be both ways, Senator.

During the months of June through October, Pik-Nik purchases a U.S. No. 1 B size Russet Burbank variety in California.

In the late 1940's, marketing agreement No. 114, affecting the major portion of Oregon (excluding Malheur County) and including Modoc and Siskiyou Counties, Calif., was adopted by affirmative vote of the producers and handlers of the area pursuant to the Marketing Agreement Act of 1937 (7 U.S.C.A. 608 et seq.). Thereafter, marketing order No. 59 was promulgated, which can be found, in its present form, in 7 CFR 947.1 through and including 947.140. Since about 1948, annual regulation pursuant to marketing order No. 59 have been published in the Federal Register.

For the purposes of clarity, I wish to refer to the Marketing Agreement Act of 1937 as the act, the marketing agreement No. 114 as the marketing agreement, marketing order No. 59 as the marketing order, and the Federal Register regulations as the regulations.

The marketing order established a committee of potato growers and potato handlers under the title of the Oregon-California Potato Committee to administer the marketing agreement, the marketing order, and the regulations issued by the Secretary of Agriculture. The committee has the power to make rules and regulations which may, or may not, be adopted by the Secretary of Agriculture, to investigate and report violations of the marketing order, and to employ a manager. Although technically not a part of the Department of Agriculture as such, the committee operates as an advisory and administrative adjunct to the Department of Agriculture which is charged with the primary responsibility of administering the marketing agreement, marketing order, and regulations issued pursuant thereto.

When the marketing agreement was made, the act, as amended, excluded from its jurisdiction manufacturers of canned or frozen potato products.

From 1948 through the 1968 crop season, Department of Agriculture regulations for each crop year set minimum standards of quality and size for potatoes sold from the area covered by the marketing order. Commencing with the 1949 crop season, these regulations permitted shipments of potatoes not meeting the minimum size and quality requirements of the regulations for certain specified uses. Included in these specified purposes was canning and freezing. Throughout the period of all of these regulations, Pik-Nik continued to buy potatoes which did not meet the minimum size and quality requirements of the regulations. The only exception during these periods applicable to Pik-Nik was canning.

Shortly after October 15, 1968, the effective date of the current regulation, Mr. Lloyd Baker—the then newly appointed committee manager—informed the handler who has, over the years, supplied the raw material potatoes for Pik-Nik, that Pik-Nik was no longer qualified to purchase special purpose shipments from the Klamath Basin because it was not a canner. On October 21, 1968, an inquiry to Mr. Robert H. Eaton, in charge of the U.S. Department of Agriculture northwest marketing field office in Portland, Oreg., as to why there was such a sudden change in Pik-Nik's status, got the response that the Washington, D.C., office of the Department of Agriculture had informed him and Mr. Baker, after a request by Mr. Baker, that canning, for the purposes of the act, was defined as follows: “* * * a preserving process whereby the commodity is cooked in liquid in can or glass which is hermetically sealed.”

And that, since Pik-Nik seals its products in a hermetically sealed can without liquid, it is not engaged in canning as contemplated by act. Mr. Eaton further stated that the Department's policy for the 1968 crop was to limit the flow of potatoes not meeting the minimum size and quality requirements to processors from the crop and that, for this reason, prepeeling had been removed as a special purpose use for the 1968 crop. He stated that Pik-Nik was a prepeeler, he had had no response to two inquiries, i.e., (1) why had Pik-Nik been allowed to receive special purpose shipments prior to the inclusion of “prepeeling” in the regulations beginning in 1960; and (2) why, in the past, when special purpose shipments had to specify the status of the user, Pik-Nik had been declared to be a canner.

The casual indifference toward Pik-Nik was both shocking and surprising because: (1) prepeeling, as defined in the regulations issued under the marketing order for the crop seasons of 1960 on, defined a prepeeled products as a fresh, uncooked tuber treated by sulfur dioxide (SO_2) to prevent discoloration; and (2) the committee had issued special purpose shipment permits in the past expressly recognizing Pik-Nik as engaged in the canning of potatoes as exempted by the act, the marketing order, and the regulations.

At this point, Pik-Nik was literally cut off from Oregon potatoes for the winter months.

I personally met with Mr. John Blum and various other U.S. Department of Agriculture officials in Washington in December 1968. At that meeting, one of the Department officials stated that when the decision was made in Washington to so define canning, no Department personnel in Washington was even aware that Pik-Nik existed. Indeed, this particular official lamented it was too bad he did not

know Pik-Nik was located in San Jose because he had been visiting the San Jose area around November 15, 1968.

Mr. Blum explained the purpose of the present regulations under the marketing order was to increase grower returns. I explained that Pik-Nik, in order to be competitive with other shoestring canners, needed an unrestricted supply of U.S. No. 1 B size potatoes because Pik-Nik's main competition has its plants in the States of New York and Arkansas, and they use raw materials from areas not governed by marketing orders. I told him that if Pik-Nik were forced to purchase U.S. No. 1 A size, Pik-Nik would be at a complete disadvantage with competition. Mr. Blum's response was that we should raise prices. My response was, competition being what it is, we simply could not. Mr. Blum agreed to review the definition of canning and to inform us as soon as possible. Very shortly we were informed that the U.S. Department of Agriculture was unrelenting in its definition of canning.

Another meeting in Mr. Blum's office was held in January 1969. This time, our counsel, Mr. Anthony Giacomini, accompanied me. This time, we produced copies of shipping permits defining Pik-Nik as a canner, which was greeted with a shrug of the shoulders. We were told, in effect, that the treatment of Pik-Nik as a canner by the Department and the committee for the past 20 years had been wrong. We were amazed at this attitude, because we presumed that Government officials acted within the law and in good faith. We were told our status would be reconsidered, and were soon notified that canning was now defined as requiring:

. . . that the product be heat sterilized in hermetically sealed containers, with application of sufficient heat, at the time of or immediately after sealing the contents in the container, to achieve adequate sterilization of the contents and the interior surfaces of the container so as to assure preservation of the contents.

The Department has attempted to justify its definitions of canning by reference to standards of canned potatoes under the Food and Drug Act. We submit that Pik-Nik has, for over 30 years, met these standards for canned potatoes and that the definitions of canning employed by the Department in 1968 and 1969 are not consistent with those standards.

Because Pik-Nik was not allowed to purchase U.S. No. 1 B size potatoes, Pik-Nik was forced to close temporarily on February 20, 1969. We remained closed until March 10, 1969. This, of course, forced the layoff of our entire staff—30 employees, all members of Cannery Workers Local No. 679.

So, gentlemen, the current administration of Marketing Order No. 947 literally closed our operation.

With very limited supplies, we reopened on March 10, 1969. To illustrate just how inefficient our operation has been because of our not being able to purchase U.S. No. 1 B size Klamath Basin area potatoes, our production was down over 30 percent during the months of February, March, April, and May of 1969 as compared to the same months of 1968. As a result of our low production, low inventories, and excessive competitive activity, we are operating at a loss.

I would like to ask the chairman to permit me to submit a prepared statement that we have not read into the record, and to allow me to depart from my printed text to point out some technical facts of

processing which may be helpful so that you will better understand this.

Senator HOLLAND. Certainly.

(The remainder of Mr. Runzler's statement is as follows:)

In the final analysis, the Department of Agriculture has attempted to justify its position toward PIK-NIK since October, 1968 to the present time on the basis that its purpose is to benefit the potato industry by limiting shipments of potatoes not meeting the minimum size and quality requirements of the Regulations to processors because the Department claims such shipments depress potato prices.

No one can quarrel with efforts to improve the potato industry; all who are in the industry desire to improve it. But if shipments to processors are harmful, as the Department of Agriculture states they are, then the Department of Agriculture has poorly served its objective of limiting shipments to processors, because more shipments of Russet type potatoes have been shipped for processing from the Marketing Order area from the 1968 crop than were shipped from the same area from the 1967 crop.

Also, while poorly serving this objective, the Department of Agriculture has issued a regulation which permits processors within the Marketing Agreement area to receive and process potatoes without reference to minimum size or quality requirements, while denying processors of the same type of products from outside the area access to the same raw material, raising a serious question of equal protection under the law. Moreover, it has permitted certain users of potatoes not meeting the minimum size and quality requirements to take potatoes from the Klamath Basin area while denying PIK-NIK (the longest user of such potatoes from the Klamath Basin area) the opportunity to purchase them.

We submit that the policy of the Department of Agriculture is behind the times.

The Klamath Potato Growers Association, by a letter dated May 16, 1969, signed by Walt Jenerdzejewski, Secretary and County Agricultural Agent, has made it plain to the farmers within the Klamath Basin area that the basin cannot long continue without adequate processing outlets which lend themselves to utilization in a growing dehydration market in which, at the present time, the Klamath Basin growers have been precluded from participating in any substantial fashion.

That processing is the salvation of the potato industry has been explored and discussed at great lengths at the proceedings of the Second Annual Oregon Potato Growers Meeting held in Madras, Oregon on January 23 and 24, 1969. At that meeting, G. B. Wood of Oregon State University, pointed out that the factors affecting potato marketing and prices has been the high rate of instability within the industry arising primarily from a very high inelastic demand for potatoes and a yearly variation in potato production. He explained that the low financial return for the 1967 potato crop was the result of a good potato year in 1964 when freezing weather brought the highest potato prices in about 40 years. Acreage expanded 8% in 1965 over 1964; another 5% in 1966 over 1965; and the Fall of 1967 was excellent and storage losses were at a low level. As a result, the 1967 year started with about 9% larger stocks than were on hand in 1966. Larger stocks, coupled with a build-up in production in the face of a rather constant total demand for potatoes, presented a troublesome situation which resulted in very unprofitable potato prices to potato growers throughout the country for the 1967 crop. A smaller supply of potatoes, according to Professor Wood, had a correspondingly favorable effect on potato price for the 1968 crop. He concluded his analysis by pointing out the future of the potato industry and the key to expansion is the development of processing outlets with the potato being treated as a raw material and used as such.

We submit that the inherent inequities of the present Regulations, the Act, and the Marketing Order, as dramatically shown in the problems that beset PIK-NIK, should be remedied by the present bill before this Committee.

All we want, gentlemen, is to be allowed to compete with the same rules and laws governing all canners, freezers, and processors. May I emphasize again, PIK-NIK is only the first example of what can happen to a processor if this inequity is not corrected by a new law granting exemption.

Thank you for allowing me to speak.

Senator HOLLAND. There are some things that I would like to ask you. One is to know what your processing is, and we would also like to know what is a U.S. No. 1 B size of the fresh potato. Just what does that mean?

Mr. RUNZLER. U.S. No. 1 B size potato is a small potato. It will range in size from an inch and five-eighths to up to 2 inches.

Senator HOLLAND. It is smaller than the U.S. No. 1?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. You stated a while ago that you purchase both the small sizes and the oversized. When do these potatoes become oversized?

Mr. RUNZLER. We have purchased some oversized potatoes during the winter months when we could not get others and we cut them up before we started to cook them. This was a B size potato. It is normally described as a small one under the regulations.

These are not perfectly formed and we have to use them and cut them up. The type we need and desire is the small potato, an inch and five-eighths.

Senator HOLLAND. Then your purchase of the large ones has been incidental to the efforts to solve your problem arising from the fact that you were cut off from purchasing of the 1-B?

Mr. RUNZLER. Yes, sir; that is correct.

Senator HOLLAND. Another question, this trouble that you have had is keyed to two things. One, the inability to purchase 1-B?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. And the second, the change in the definition of canning as made by the Department of Agriculture?

Mr. RUNZLER. The change in the definition of canning is what stopped us from purchasing.

Senator HOLLAND. I think we understand the size part of your trouble.

I take it that you want the whole statement included in the record, which will be done unless there is objection.

We go now to the discussion of processing that you practice and which now, as you tell us, is excluded from the definition of canning.

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. As presently promulgated by the Department of Agriculture?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. You may proceed.

Mr. RUNZLER. Thank you.

We do not use any potato that competes with the fresh market because we use the small U.S. No. 1 B size. We need a particular type of potato with regard to sugar content. In order for us to process and get the proper appearance and proper tasting products, the sugar content and the starch content in potatoes has to be at the proper standards. In order to achieve the proper sugar-starch relationship, this takes much advanced planning, and during the winter months when your potato normally would come out of the cellar or out of storage in Oregon, it is necessary for us to temper these potatoes by controlled temperature and humidity stored in our warehouses. This includes many, many carloads of products that are stored under the proper conditions to give us the proper product when we start to can.

Only certain types of potatoes—when you speak of a potato, one potato might cook on your stove and turn out to be beautiful. If we try to process it in our vegetable oils, this potato might turn out too dark, so it takes a particular type of potato. We just cannot pick them out and say, "Well, they will buy these." We cannot run them out like that. This just is not going to be done. We cannot use any type of potato because actually a potato is very delicate when it comes to the processing that we use.

Now, the processing we use is to peel the potato, wash it, slice it, wash it again and cut it up. It is immersed in cooking oil for 5 to 6 minutes. It is immersed at about 340°. It is immersed in that heat. After 5 minutes it is taken out. It is salted. It is cooled to room temperature and then we put it in our cans and seal it under a vacuum.

All water at this point has to be out of the product. There can be no water content left in our potato at all in order for it to remain crisp.

Under these conditions we say that our product is commercially sterile because it has been immersed in oil, as I said, 5 minutes or 6 minutes at 340° and is sterile because this product will retain its life for years provided the vacuum remains in the can.

Senator CURTIS. Mr. Chairman, could I ask a question?

Senator HOLLAND. Certainly.

Senator CURTIS. From 1939 up until this day arose in 1968, did you have any correspondence or ruling or any communication from the Department of Agriculture stating that your process was one of canning?

Mr. RUNZLER. The permit that we received gave us permission to ship our product. It was made out by the Department of Agriculture. They defined our process as canning on this permit. We received no direct communication from the department in Washington.

Senator CURTIS. But tell us again what they issued?

Mr. RUNZLER. A permit was issued from the Oregon-California Potato Growers Committee. I think we have a copy of it. That shows exactly our purpose and it refers to it as canning. If you will bear with me, I will try and dig it out.

Here is a copy of the permit, sir.

Senator CURTIS. What is your best judgment on the approval of this application by the administrative committee? Does it constitute a notice of the Department of Agriculture that this is what was going on?

Mr. RUNZLER. I do not understand.

Senator CURTIS. When the administrative committee approved this—

Mr. RUNZLER. Yes, sir; Mr. Merrill R. Webb, the Manager, signed it.

Senator CURTIS. Yes. Is it your contention that the Department of Agriculture had constructive notice that this was going on for almost 30 years?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. They also have an observer of the department present with the administrative committee, do they not, during your marketing agreements? Do they not have personnel down there representing the department?

Mr. RUNZLER. We understand that they are supposed to.

Senator HOLLAND. Do you wish to place this in the record, Senator Curtis?

Senator CURTIS. I think probably we should.

Senator HOLLAND. It will be admitted into the record unless there is an objection.

Senator TALMADGE. No; there is no objection here.

(The document referred to follows:)

Certificate of Privilege No. 1833

OREGON-CALIFORNIA POTATO COMMITTEE,
P.O. Box 788, Redmond, Oreg.

SHIPPERS APPLICATION TO THE ADMINISTRATIVE COMMITTEE ADMINISTERING
MARKETING ORDER NO. 59

I ask that I be granted permission to ship and/or sell for use only for the specified purpose, and in the amounts as specified herein, potatoes that do not meet current regulatory requirements for fresh market distribution but are permissible for the purpose named.

In consideration of your granting this permission, I agree to the following stipulations:

1. That immediately upon the receipt of this form, I will sign all three copies and return the duplicate and triplicate copies to your office, retaining the original in my files. Failure to comply will cancel verbal permission to ship under the above certificate of privilege number.

2. That as shipments are made under this certificate of privilege, I will promptly mail a copy of the bill of lading or shipping order to your office.

3. That before making application for this certificate of privilege, I have made certain that the potatoes to be shipped under its provisions will be used only for the purpose named.

4. That I have read the current marketing order regulations, and that I make this application with a full understanding of them. That I realize the making of a false certification, knowing it to be false, is a violation of title 18, section 1001, of the United States Code, among other statutes which provides for fine or imprisonment, or both.

5. That the specified purpose for which these potatoes will be used is canning. The estimated amount is 80,000 cwt. of Russet variety, and they will fail meeting fresh market regulations because of maturity () grade () size (x).

6. That they will be shipped to Pic-Nic Food Products Co., whose P.O. address is 214 Dupont Street, San Jose 26, Calif., destination if different than P.O. address _____

7. Date Sept. 15, 1959, applicant's firm name John Giacomini.

JOHN GIACOMINI.

MERRILL, OREG.

ACTION BY THE ADMINISTRATIVE COMMITTEE—MARKETING ORDER NO. 59

Permission is hereby granted the above shipper to ship and/or sell potatoes as specified in the above application for the purpose and use only as specified and stated therein under certificate of privilege as numbered.

MERRILL R. WEBB (by F. P.), *Manager*.

SEPT. 15, 1959.

Senator TALMADGE. It is your belief or knowledge that at least a considerable portion of the time a representative of the Department of Agriculture would know about such documents as you have displayed here?

Mr. RUNZLER. Yes.

Senator TALMADGE. May I ask a question?

Senator HOLLAND. Off the record a minute.

(Discussion off the record.)

Senator HOLLAND. On the record. Without objection, the document in question will become part of the record.

Mr. GIACOMINI. I would like to point out that the record should show that it has on the back of this particular item a stamp. It says Pik-Nik.

Senator HOLLAND. A copy will be made of both sides of this. It has been furnished to the reporter. It will be incorporated into the record.

Senator CURTIS. What is the date of your original marketing act?

Mr. RUNZLER. I would like Mr. Giacomini to explain that.

Mr. GIACOMINI. The act, in its present form, as amended in 1955—but it was in effect under a market order agreement starting in the late forties, and the first regulations were published in the Federal Register for 1948, so it was in effect, as I recall, from about 1948 onward.

Senator CURTIS. So documents such as you have here would have been, therefore, used for about 1948 on?

Mr. GIACOMINI. Yes, during the period of time from about, as I recall—and, again, I am speaking from research that I made by checking with the Department of Agriculture personnel in Oregon—from about 1955 to about 1960 crop season. The special purpose shipment permit, which included various special purposes including canning and freezing, which was not brought under any regulation and was exempt under the statute, required that the permit specify the use to which the product was being put, and then the manager approved or disapproved it under the authority granted him by the committee and which, in turn, was granted him under the marketing order, and throughout all of this period of time the committee was assisted by a member of the Department of Agriculture who would be in the field as part of the administrative assistance to the marketing committee.

Senator CURTIS. Was this statute ever reenacted after 1948? Was it?

Mr. GIACOMINI. You mean the Marketing Order Agreement Act of 1937?

Senator CURTIS. Yes.

Mr. GIACOMINI. It has been amended since 1948. Now the act, itself, has been amended a number of times, sir. Every time it has been amended—

Senator CURTIS. Every time it was amended did it carry this same exclusion?

Mr. GIACOMINI. Yes, sir.

The latest amendment was made to the act in 1965 and it was 79 Stat. 1270 and it pertained to certain packages with reference to carrots and citrus fruits, but not potatoes.

Senator CURTIS. Was the act reenacted?

Mr. GIACOMINI. The act was not.

Senator TALMADGE. It was permanent legislation.

Senator CURTIS. I know it was amended. I want to know if they reenacted it.

Mr. GIACOMINI. The entire act? I believe that what they did was to make amendments to specific parts.

Senator HOLLAND. That is correct.

Mr. GIACOMINI. Not the entire act.

Senator CURTIS. Well, I will tell you what I am getting at. If the Department of Agriculture regarded these as canned potatoes and any time thereafter Congress reenacted the statute, Congress then

adopted the definition of canning potatoes. I do not think the Department of Agriculture could change it without an act of Congress.

Mr. GIACOMINI. Well, I am not prepared to speak on whether they reenacted the act. All I can tell from checking the statute is that from time to time it was amended, Senator, and specific parts were amended.

I think that, for example, in 1954 they extended canning and freezing, for example, to grapefruit, and that sort of thing.

Senator CURTIS. I will not take up any more time on it. I believe the contention is well founded that when the Congress reenacts specific language it does so in light of its then current interpretation.

Mr. GIACOMINI. The Department of Agriculture disavows any responsibility for these permits, stating first that they denied issuing them and, then after we were able to produce them—I am referring to 1965 in regard to records of the California-Oregon Potato Committee, they were destroyed. But we were able to find these in some old records. Then they said that they were issued for administrative reasons, but they never explained to us what it meant.

Senator CURTIS. That is all I have.

Senator TALMADGE. Let me ask you a question. Did you litigate the Department's decision in that?

Mr. GIACOMINI. No.

Senator TALMADGE. Have you considered it?

Mr. GIACOMINI. We have considered it. We felt that litigation was not the best solution to the problem.

Senator TALMADGE. Have the courts decided what canning is and what it is not?

Mr. GIACOMINI. No, sir.

Senator TALMADGE. In other words, it would be a new question to present to the courts?

Mr. GIACOMINI. That is right, generally.

Senator TALMADGE. You considered a legislative remedy rather than a judicial remedy?

Mr. GIACOMINI. Yes, sir.

Senator HOLLAND. It is a fact, isn't it, that the general terms of exempting products for canning and freezing have been used and have not been in the statute itself in any detailed definition of what was canning and what was freezing?

Mr. RUNZLER. That is correct, Senator.

The cases have dealt with the question of canning and they have been under other statutes in other matters and there has never been a definition for this purpose of Agricultural Marketing Agreement Act of 1937. There has been no definition of canning or freezing.

Senator HOLLAND. Senator Jordan, do you have some questions, sir?

Senator JORDAN. Would this type of product, potato shoestrings, come under dehydration?

Mr. RUNZLER. No, sir.

Senator JORDAN. Don't open it. It is not dinner time yet. They are very good. I have had some of them.

Senator HOLLAND. In the dehydration of potatoes, is that used for the mashed potato that is found in the kitchen?

Mr. RUNZLER. Yes. I am not in the dehydration business, but that is my understanding.

Senator HOLLAND. That is my understanding.

Senator JORDAN. What I want to know is what do you mean by dehydration. I know that means that all the water is taken out of a product. I wonder if that comes under the same classification?

Mr. RUNZLER. No, not to your interpretation.

Senator JORDAN. What happens to those potatoes if you do not buy them? Is there any market to take up that No. 2 A, B grade? I believe it is the B grade.

Mr. RUNZLER. They were sold to other people that were exempt.

Senator JORDAN. What would they be exempted for?

Mr. RUNZLER. Freezing, canning, freezing, canning, starch.

Mr. GIACOMINI. The regulation for 1968 excludes export canning, freezing, and potato chipping. I believe that was it. We were not in the position to purchase the product, but it was sold to others.

Senator JORDAN. You cannot purchase it? You were out of the market area where they controlled the definition of canning process. Now, I believe in New York that it would come under the marketing area.

Mr. RUNZLER. That is right.

Senator JORDAN. Has this helped the producers of potatoes or hurt them?

Mr. RUNZLER. We do not know, sir. I could not answer that.

Senator TALMADGE. You buy the cheapest potato you can, I presume, to process this product? Most canners do.

Mr. RUNZLER. Yes.

Senator TALMADGE. That is the reason you buy the small grade and the larger grade?

Mr. RUNZLER. Yes.

Senator TALMADGE. It would not be the premium prices that housewives would ordinarily pay.

Mr. RUNZLER. The only thing that I want to make clear, Senator, is that the larger grade has been a part of our problem. We have never gone to the large B that we call cuts, because we literally cut them up before we —

Senator TALMADGE. What is the highest price you have paid for potatoes and the lowest that you have paid?

Mr. RUNZLER. Mr. Giacomini has the price statistics that will give you the complete story on this.

Now, we purchase them on a delivery basis.

Mr. GIACOMINI. The lowest price we paid is \$1.60 and we have been paying as high as \$2.74.

Senator TALMADGE. You are not buying any now. I believe you testified —

Mr. RUNZLER. No. I said we were temporarily closed. We are back in business. We are operating, but we really are not a business as a business is normally looked upon.

Senator HOLLAND. You were buying from the areas south of the counties in California that are covered by this marketing agreement?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. Is there sufficient production in those other counties to enable you to operate at full strength?

Mr. RUNZLER. No, sir; not for the type of potato that we use.

I said that we used a particular type. The special type of the potato is the Russet variety. During the winter months there are none in California. This is the type that we found gives us the best product.

Senator HOLLAND. Well, how many counties in northern California are covered by the Oregon-California marketing agreement in all?

Mr. RUNZLER. Two.

Senator HOLLAND. And how many are not covered by the marketing order?

Mr. RUNZLER. All the rest.

Senator HOLLAND. Well, of course, all the counties do not produce potatoes. There is a great production of potatoes in California. As I recall, south of these two counties extending down through central California, there is a tremendous amount of it.

Mr. RUNZLER. Yes, sir; into southern California there is. It is my understanding that California did have a marketing order back in the fifties but the growers found out that they were no longer able to operate under one.

Senator HOLLAND. That was the State market?

Mr. RUNZLER. State market order; yes.

Senator HOLLAND. Did you buy your potatoes that you use from any other source than from the other counties in California not covered by the Oregon-California potato marketing agreement?

Mr. RUNZLER. No, sir. They are all grown in California.

Senator HOLLAND. There are no other nearby producing areas to which you can turn for your potato to be processed?

Mr. RUNZLER. If they get too far away, Senator, the freight costs are too great.

Senator HOLLAND. These permits, of which we have had one placed in the record, were necessary before you could buy potatoes out of Oregon to be shipped across the State line to you in San Jose?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. They were, of course, permits approved by the Federal authorities because they permitted the movement in interstate commerce?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. Of the product?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. And the whole operation of the committee and of the order is under the regulation and under the supervision and under the control of the Department of Agriculture?

Mr. RUNZLER. Yes, sir.

Senator HOLLAND. There are other operators who process white potatoes in the United States who have been subjected to somewhat the same problem that you have?

Mr. RUNZLER. Not to my knowledge, sir.

Senator HOLLAND. What was your total annual production under your national operation?

Mr. RUNZLER. In pounds of potatoes used?

Senator HOLLAND. In terms of pounds of potatoes.

Mr. RUNZLER. Approximately 14 million pounds.

Senator TALMADGE. Fresh potatoes or canned?

Mr. RUNZLER. Fresh potatoes.

Senator TALMADGE. I see.

Senator HOLLAND. That makes you, then, a very sizable one in business. That makes you very sizable as a producer?

Mr. RUNZLER. As a shoestringer. That is not much in the chip business, though. For a shoestringer, it is sizable.

Senator HOLLAND. Are there other questions from the committee?

Senator JORDAN. Just what is dehydration? I know, but where does this all fall out of the category with making orders that is affecting you?

Mr. RUNZLER. The same order affecting us is affecting the dehydrator.

Mr. GIACOMINI. That is correct.

Senator JORDAN. What do they do to the potato?

Mr. RUNZLER. I am not qualified to answer that, Senator. I could have someone from the potato dehydration business answer that question.

Mr. HARDING. Mr. Chairman, my name is Ralph Harding. I yielded to Mr. Runzler. I would like to request that I join him now and speak for the dehydration industry at this time and submit my statement for the record at this point.

Senator HOLLAND. All right. If that is agreeable to the committee, we will receive your testimony and it will be heard at this time, so as to cover now only the potato processing, but also the dehydration.

I see that your statement is short.

Senator TALMADGE. I think that the members of the committee know that Mr. Harding is a former Member of the House from the State of Idaho.

Senator HOLLAND. I am glad to have you with us, Mr. Harding.

STATEMENT OF RALPH HARDING, DEHYDRATED FOODS INDUSTRY COUNCIL, BLACKFOOT, IDAHO

Mr. HARDING. Thank you, Mr. Chairman. I would like to ask unanimous consent that my statement be included in the record at this point and then I will elaborate on a few points.

Senator HOLLAND. The statement will be included in the record.

(The prepared statement of Mr. Harding is as follows:)

Mr. Chairman, I wish to thank you and the members of your committee for the opportunity I have of appearing before this committee in support of S. 2214 which has been introduced by Senator Murphy and Senator Cranston from California.

Mr. Chairman, I was raised on a farm in Idaho and have been associated with Idaho farmers and their problems throughout my life. I served one term in the Idaho House of Representatives in 1955-56 and two terms in the U.S. Congress from 1961 through 1965. I am presently a vice president of the American Potato Co. with main offices in San Francisco, Calif. and processing plants in Blackfoot, Idaho and Moses Lake, Wash. I am a director of the Dehydrated Foods Industry Council, and it is in this capacity that I appear here today to testify for S. 2214. Our executive secretary has polled the potato members of our council and found them to be unanimous in their support of this legislation.

It is our feeling that this legislation merely updates the historical exemption that canners of fruits and vegetables were granted from the original Marketing Order Act of 1937. We understand that when freezing had become a major factor in the preservation of fruits and vegetables that Congress in its wisdom extended to freezers of fruits and vegetables in 1946 the same exemption that had previously been enjoyed by the canners. The legislation that you are considering today will extend to dehydrators of potatoes the same exemption that is presently enjoyed by canners and freezers.

Mr. Chairman, we feel that this is good legislation and that its passage is necessary for dehydrators of potatoes to compete with canners and freezers on a fair and equitable basis. Some may suggest that this could be accomplished

by removing the exemption which the canners and freezers currently enjoy. This would be a terrible mistake. As I understand it, the original reason for this legislation was to correct an injustice that was done to the Pik-Nik Co. of San Jose, Calif., which resulted in their plant being closed temporarily because of restrictions resulting from a potato marketing order which applied to Pik-Nik, but did not apply to other shoestring manufacturers with whom they were competing because they purchased their potatoes in different section of the country.

Therefore, the removal of the canning and freezing exemption would certainly not have prevented this unfortunate occurrence. Further, it is important to understand that potato marketing orders, where in existence, are regional. Many potato producing areas do not have marketing orders. In other areas they are inactive and in those areas where they are in existence, they have different regulations and provisions.

Members of our association have no objection to potato marketing orders as long as they continue to operate as they have in the past and are applied only to potatoes for the fresh market. However, we are definitely opposed to marketing orders being applied to processors because this cannot help but give one processor an unfair advantage over another processor because of the difference in marketing order regulations in the many areas in which competing processing plants are located.

Therefore, we urge early passage of this legislation in order to insure that dehydrators of potatoes will enjoy in the future as a legal right, the freedom from marketing orders that we have historically enjoyed in the past.

Senator HOLLAND. What we are talking about here is to the question that the Senator from North Carolina has brought up, and that is what the difference is between the dehydration covered by the use of the word "dehydrated," and the dehydration process accompanied by other processing that takes place in the case of the shoestring potato.

Mr. HARDING. Correct.

In the dehydration process the potatoes are peeled, cooked and dried in hot air dryers until the finished product contains only about 7 percent moisture.

There are various products in the dehydrated line. Granules, flakes, hashbrowns, slices, and dices are the most common. In the shoestring process the potatoes are peeled, cut into shoestrings and cooked in hot oil similar to the potato chip process.

Mr. Runzler, in the shoestring business, got into trouble because a marketing order was applied to his company (Pik-Nik Foods) that was not applied to their competitors in New York or Arkansas, and we, as dehydrators, are concerned because we have dehydrators in Washington, Idaho, and in the Red River Valley of Minnesota that make the same products and are very competitive.

A marketing order regulation can be applied in any one of those areas that could put the dehydrator in that area in exactly the same position that Pik Nik is in regarding competition.

These marketing orders, where they exist, are regional and many regions do not even have them. They voted them out in California, in Minnesota, and North Dakota. The Maine order is inactive.

In Idaho, we are very happy with our order, but it controls only the fresh and that is why processing including dehydration has risen to such great heights in Idaho. It is vital that all processors be put on an equal competitive basis. This can be done only by enacting this legislation you are now considering. To go the other way and remove the canning and freezing exemption from the marketing orders is going to hinder the farmer in the marketing of his crop. The experi-

ence of the past proves that the farmer gets the most from his crop when he has the most possible sales outlets for his crop. The Idaho farmer today can sell on the fresh market or he can sell to a canner or a freezer or a dehydrator or for potato chips or potato shoestrings.

That is all we want in this bill, Mr. Chairman, is for every farmer not only in Idaho, but anywhere in the United States to have this right. I say when you start controlling potatoes going to processors that you are going to magnify what happened to Pik Nik many times over.

Senator HOLLAND. Do I understand that in Idaho there are standards under which they would sell potatoes in the fresh vegetable market and would not apply to the sale of potatoes for these various types of processing?

Mr. HARDING. That is absolutely right, Mr. Chairman.

Mr. HOLLAND. In other words, there is no control, public control, over the quality of potatoes acquired by the various processors from the various producers and handlers of Idaho potatoes, meaning that the handlers and the producers themselves have to determine what products it is that they think they would satisfy their needs.

Mr. HARDING. That is correct.

Yesterday, I was very disappointed in the House hearings to hear witnesses testify that we were processing junk into processed potatoes. This is absolutely false. Neither the competitive situation nor the Food and Drug Administration would let us use junk and we would not use other than good processing potatoes, anyway.

We want a potato that is of top quality for processing and size does not mean any difference.

We have to make a very good product or we lose our customers. The competition between processors is very keen and each tries to make his potatoes the best.

Senator HOLLAND. Your mashed potatoes are dehydrated?

Mr. HARDING. Yes, sir, we have dehydrated mashed potatoes and we have dehydrated hashbrowns, and dehydrated slices.

Senator HOLLAND. Then the only one that I have had any personal knowledge about is the instant mashed potato. I have understood that that is a dehydrated product. Is that correct, sir?

Mr. HARDING. That is true, Mr. Chairman.

One other thing we are concerned about is the definition of canning. You have spent some time on that definition today. It is true we put some of our products in cans, but we can put it in other containers that are less expensive than cans.

Senator JORDAN. Plastic?

Mr. HARDING. Plastic bags, milk cartons, boxes, and other containers.

At this point the legislative history should make it clear that the term "other processing" in this legislation is intended to refer to operations which commonly involve the application of heat or cold to such an extent that the natural form or stability of the commodity undergoes a substantial change. This happens in dehydration, shoestring manufacturing, and in the manufacturing of potato chips.

Senator TALMADGE. Will you yield at this point?

You have a case against the Department that they have misconstrued the act and legislative history-and-remedy tradition.

Mr. HARDING. No. We would not have, Mr. Chairman, because without the adoption of this legislation the law is unclear and discriminatory. We make dehydrated hash-brown potatoes and we have other people in Idaho who can or freeze hash-brown potatoes.

Senator TALMADGE. They are under that order?

Mr. HARDING. Dehydration is under the order. The canned hash-brown potato and the frozen hash-brown potatoes are exempt.

Senator TALMADGE. What you are saying is that people in similar businesses get different treatment under the same order?

Mr. HARDING. That is correct. To date, canners and freezers are exempt. Dehydrators are covered.

Now, Mr. Hedlund testified that there were two ways to put us all in the same boat. One is to go right ahead and to include all processors. That would be a terrible mistake because of the regional nature of potato production. All the present marketing orders are regional and in many areas they are still not in existence. So if you include all processors, to be fair, they should all operate under the same marketing order. The growers and the Department have already rejected a national marketing order, therefore the widely different and nonexistant regional orders would still discriminate. That is why we say the only logical, fair, and equitable way is to exempt all processors and let them be competitive on an equal footing.

Senator TALMADGE. Covering only the fresh market?

Mr. HARDING. Let it cover the fresh market where it is needed and where the growers want it and will support it.

Senator HOLLAND. Senator Curtis?

Senator CURTIS. No, I am just puzzled here. Something is put in a can and it is sold and you have to open the can to get it out. It has been canned, hasn't it?

Mr. HARDING. Yes, sir.

Senator HOLLAND. Not according to the Department of Agriculture.

Senator CURTIS. Well, what happened to it?

Mr. GIACOMINI. You are right, but that is what they told us.

Senator HOLLAND. Has Mr. Hedlund left the hearing?

Senator CURTIS. Yes.

Mr. GIACOMINI. Mr. Smith is here. He probably could tell us.

Mr. HARDING. Senator, the point I wanted to make is we are merely updating the act of 1937. In 1937 canning was the only known method of preserving foods. In 1946, when freezing had become a major factor, Congress amended the Agricultural Marketing Act to exempt freezing. I am saying here today that dehydration is a major factor and dehydration and chipping and shoestring manufacturing should also be exempt.

Senator CURTIS. You cover that by other processes. This is the only new language.

Mr. HARDING. That is right. Other processing is the only new language.

Senator TALMADGE. What about the people that make alcohol from the potatoes, are they covered?

Mr. HARDING. If they are substantially treating their potatoes with heat or cold I am sure they would be covered.

Senator JORDAN. What do they use to purify it?

Mr. HARDING. That I do not know. We do not have any alcohol plants.

Senator JORDAN. We use corn in North Carolina.

Senator HOLLAND. Off the record.

[Discussion off the record.]

Senator HOLLAND. Back on the record.

Mr. HARDING. Mr. Chairman, I know that there is opposition here today, and I want them to have a chance to state their case, too, and you have been most fair with us. I thank this outstanding subcommittee for hearing this problem.

Mr. Runzler here needs this bill. We need it. After you have heard all sides of it I am sure the committee will act in its wisdom.

Senator JORDAN. Where are you from in Idaho?

Mr. HARDING. I am from Blackfoot, Idaho.

Senator JORDAN. Well, it is a great State. Fine potatoes.

You do put these things up in a plastic bag?

Mr. HARDING. That is correct. The same products, potato granules in the institutional market are packed in a No. 10 can. It is canned. Our competition in the R. T. French Co. pack put similar granules in a foil pouch for sale in the grocery stores.

Senator JORDAN. I thought I had seen some plastic bags in our kitchen.

Senator HOLLAND. Thank you very much, gentlemen.

Off the record.

(Discussion off the record.)

Senator HOLLAND. Back on the record.

Senator TALMADGE. Would a legislative definition of canning solve your problem?

Mr. HARDING. No! Dehydrated products, chips and shoestrings should be exempt the same as canned or frozen potatoes. Otherwise a potato chipper in one area that has a marketing order is going to be subject to high cost raw material while his competitor just across the State line, who is not subject to the marketing order, may have much lower cost raw material and you realize the disruption of the competitiveness of free enterprise with this type of artificial interference.

Senator HOLLAND. Off the record.

(Discussion off the record.)

Senator HOLLAND. Back on the record.

Mr. HARDING. Thank you, gentlemen, very much.

(A supplemental statement filed by Mr. Runzler is as follows:)

To further inform this Sub-Committee, I present the following facts in addition to my oral testimony at the hearings held on June 10, 1969:

1. Average estimated net payments to farmers for US No. 1 B size Russet potatoes from the Klamath Basin for canning and freezing use (as distinguished from cow-feed or starch use) from the 1967 crop were 25 cents to 40 cents cwt. The net prices paid these farmers for Russet type potatoes for the same use from the 1968 crop ranged from 35 cents to 60 cents cwt. These payments resulted in 1967 average delivered prices to San Jose, California of \$1.60 to \$1.85 cwt. Projected delivered prices to San Jose, California for these same potatoes from the 1968 crop would have been \$1.60 to \$2.05 cwt.

2. Average prices paid to Klamath Basin farmers for US No. 1 A size Russet potatoes from the 1967 crop were \$1.76 cwt. as compared to \$3.25 cwt. for the 1968 crop potatoes. With a break-even point of \$2.50 cwt. delivered cost to PIK-NIK CO. in San Jose, California we could not have purchased this size of Russet potato because 1967 costs would have been at least \$2.62 cwt. Average and projected average costs for the 1968 crop would have been a low of \$4.07 cwt. with a high of \$4.67 cwt.

3. The potatoes used by PIK-NIK CO. must be of a suitable composition possessing good cooking quality in the trade sense (not in the housewife's sense). This cooking quality is determined by the composition and type of potato—not its appearance nor grade except, of course, rot must not be present. For our specific business a Russet type potato is essential. Our requirements of a US No. 1 B size are based solely upon price. As the size of the potato goes up, the price increases. So, also, do the brokerage costs because more outlay by the broker is required involving larger expenditures and greater interest factors. Brokerage cost for US No. 1 B size potato is 10 cents per cwt., while the same cost for US No. 1 A potato is 20 cents per cwt. Loss factors are 5 cents per cwt., average freight of 45 cents per cwt., and bag cost for used bags of 12 cents per cwt. remains the same, regardless of the size of the potato.

4. Our sources for the above information are as follows:

(a) Farmer prices for US No. 1 B size potatoes: Cecil Ullom, Statistician, Statistical Reporting Service; U. S. Department of Agriculture, Portland, Oregon (unpublished data including cull sales); Wesley McKaig, Handler Member, Oregon-California Potato Committee; Cecil Cheyne, President, Klamath Potato Distributors, Inc.

(b) Farmer prices of US No. 1 A potatoes: Cecil Ullom, Statistician, Statistical Reporting Service.

(c) Delivered prices for US No. 1 A's and brokerage costs: George L. Burger, Potato Broker, 52 Valajo Street, San Francisco, California.

Senator HOLLAND. I understand that our next witness is Mr. John W. Scott, master, National Grange. I understand he was not able to attend and has asked Mr. Robert M. Frederick to testify in his place.

Now, in order that we may save some time here, I would like some information about my list. I did not prepare this list, but it was prepared as the requests came in to testify.

Off the record.

(Discussion off the record.)

Senator HOLLAND. Back on the record.

Will Mr. Frederick come forward?

STATEMENT OF ROBERT M. FREDERICK, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. FREDERICK. I have prepared a statement which I would like to have inserted into the record.

Senator HOLLAND. Without objection it will be.

Mr. FREDERICK. My name is Robert M. Frederick, and I am the legislative representative of the National Grange, with offices at 1616 H Street, NW., Washington, D.C. The Grange was instrumental in the passage of the original marketing order legislation and appears before you today adding to a history of 32 years of support for marketing order legislation without a single exception.

However, today our support for marketing order legislation assumes a negative role, as we are opposed to the enactment of S. 2214, to amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended.

We suggest that what is being attempted today by the proposed legislation is not in keeping with the declaration of policy of Congress.

Briefly, I would say, that rather than taking the course of exempting the "other processing" from the act, that we wish to recommend that it go the other way and include all forms of processing to be covered by the marketing orders.

Senator HOLLAND. You would appeal the present exemption for canning or freezing?

Mr. FREDERICK. Yes, sir. What we are supporting is an increase in the bargaining opportunity of the American farmer and to increase his effect upon the price he receives. We would equalize the difference between the present law and what is proposed by removing all exemptions.

Senator TALMADGE. If you did that, Mr. Frederick, wouldn't these people who are in that business simply re-rotate the plan in an area where you don't have them making the orders?

Mr. FREDERICK. That perhaps would be one of their thoughts; however, in this connection, the marketing orders that have been in effect in the Red River Valley and in Maine, are no longer in effect because of the freezing and canning exemptions.

They were hard pressed for funds at the time and when they exempted freezing and canning from the order they just closed the order down and left it lay there dominantly, but not because plants moved from the area.

I think we have to go back and review the legislative history of marketing orders, and as we look at it, it was too regulate the market in such a way that forces within the market would not destroy itself.

It is an attempt to give farmers an opportunity to effect price by regulating quality.

Second was to provide an abundance of high quality produce for the market but that marketing order cannot be used only as a means to increase price; however, as I stated earlier by regulating quality and other terms of sale the farmer can, to some extent, affect prices which he could not obtain without the order.

We also feel that marketing orders protect the interest of consumers.

The interest of the consumer were preserved in the market order legislation and the regulations imposed in marketing orders assures the consumer of a much higher quality product at fair and reasonable prices. The use of market orders does not mean the monopolistic manipulation of the market, as some people have erroneously concluded.

The Grange feels that the consumer's interest will be better served if potatoes for processing are included under Federal marketing orders. The housewife has just as much right to expect that the processed potato products she purchases have been made from the same high quality potatoes as she would buy for table use. This is not to say that the present potato products are not made from good potatoes. They are, but the housewife would have more assurance of high quality if the potatoes were supplied to the processor under the regulation of a Federal marketing order.

We also feel that the best interests of the processors is adequately served by the knowledge that there is an abundant supply of the product at a high uniform quality available to the processor, that it will be delivered when most desirable from his standpoint, and that the problems of purchasing can be largely eliminated by the proper functioning of the Federal marketing order. Therefore, from the standpoint of the historical operations of the market order, we do not believe that processors have any reasonable gains to accomplish by adoption of this kind of legislation.

At our 1968 annual session, the delegate body reaffirmed basic Grange policy of legislation to enable producers to conduct referen-

dums, to establish facilities for orderly marketing of agricultural commodities, thus continuing our strong support for the self-help farm programs.

We, therefore, urge this committee to adopt, not S. 2214, but legislation that will extend Federal marketing orders to potatoes for all forms of processing in keeping with the purpose in declared policy of Congress as expressed in the act of 1937.

We appreciate the opportunity to come and speak before this distinguished congressional committee to once more support legislation to increase the farmers' control over their own destiny.

Thank you.

(The prepared statement of Mr. Frederick follows:)

Mr. Chairman and Members of the Subcommittee: I am Robert M. Frederick, Legislative Representative of the National Grange, with offices at 1616 H Street, N.W., Washington, D.C.

Although this is my first appearance before this distinguished Committee, I am sure that most, if not all of you are familiar with the National Grange and our long history of support for self-help farm programs, including marketing orders for fruits and vegetables for all forms of processing.

The Grange is a family farm, rural-urban organization, representing over 600,000 members located in 40 of our 50 states. It is because of our heterologous membership that we have a wide range of legislative interests and address you today representing both the producers of potatoes as well as the ultimate consumers of this excellent product of our land.

The Grange was instrumental in the passage of the original marketing order legislation and appears before you today adding to a history of thirty-two years of support for market order legislation without a single exception.

However today our support for marketing order legislation assumes a negative role, as we are opposed to the enactment of S. 2214, to amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended.

The provisions of S. 2214 would exempt from Federal marketing orders "potatoes for canning, freezing, or other processing". It is our understanding that the present Agricultural Marketing Agreement Act of 1937, as amended, already exempts potatoes from marketing orders for canning or freezing in both subparagraphs (A) and (B) of section 608(c) (2). Potatoes for canning were exempt in 1937 and for freezing in 1947; therefore, the only new provision of S. 2214 would be to exempt potatoes for "other processing", which would include dehydrating, chipping, etc.

The fact that all potatoes for processing, except those for dehydrating and chipping, are exempt from the provisions of Federal marketing orders is discriminatory against this particular form of processed potatoes. However, we do not agree with the proponents of S. 2214, that the way to make all things equal is to exempt all forms of potatoes for processing from Federal marketing orders. This is too strong a cure and will kill the patient—Federal marketing orders for potatoes.

The Grange would be in strong support of legislation to equalize the treatment of potatoes under Federal marketing orders by eliminating the present exemption provided for potatoes for canning or freezing in subparagraphs A and B of the Act. In the Grange view, this would be in keeping with the original intent and purpose of the Agricultural Marketing Agreement Act of 1937, as amended, and would be a far better cure for the patient.

The Federal marketing orders in North California, Oregon, Washington, Idaho and Colorado, represent 52% of the total fall production of potatoes, or 120 million hundredweight. Of this total amount, approximately 10% to 12% are removed from the fresh market and are diverted into processing because of the quality restrictions under the terms of the Federal marketing orders. Therefore, under the provisions of S. 2214, this amount of off-grade, sub-standard quality potatoes, would be placed in the fresh market in competition with high quality potatoes, which would have an adverse effect on the price of the fresh market potatoes. The other alternative would be the elimination of the marketing order, with even a greater disruption of the fresh market price and orderly marketing, one of the prime objectives of a marketing order.

This increased amount of off-grade potatoes would have the greatest price-depressing effect in the immediate market area, but it also would have an effect on the entire market structure of table stock potatoes. I fail to see why any grower of potatoes in the marketing area of the Federal orders would want to see off-grade potatoes that had previously been diverted into processing be placed on the fresh market. In our opinion, and in the opinion of our members and others in the affected states, that is just what would take place.

In fact, several marketing orders have been dropped because of their inability to regulate potatoes for processing. Marketing orders are lying dormant in the Red River Valley and in Maine because of the earlier exemptions, and the enactment of S. 2214 will surely be the death blow to the remaining orders.

We believe it would be well for this Committee, Mr. Chairman, to review the reasons for the enactment of the Agricultural Marketing Agreement Act of 1937 and the purpose and intent of Federal marketing orders.

In section 1 of the Act under "Declaration" it states:

"[It is hereby declared that the disruption of the orderly exchange of commodities in interstate commerce impairs the purchasing power of farmers and destroys the value of agricultural assets which support the national credit structure and that these conditions affect transactions in agricultural commodities with a national public interest, and burden and obstruct the normal channels of interstate commerce. (7 U.S.C. 601.)]" In section 2, relating to Declaration of Policy it states:

"DECLARATION OF POLICY

"[Section 2, It is hereby declared to be the policy of Congress—

(1) Through the exercise of the powers conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for agricultural commodities in interstate commerce as will establish, as the prices to farmers, parity prices as defined by section 301(a)(1) of the Agricultural Adjustment Act of 1938.²

(2) To protect the interest of the consumer by (a) approaching the level of prices which it is declared to be the policy of Congress to establish in subsection (1) of this section by gradual correction of the current level at as rapid a rate as the Secretary of Agriculture deems to be in the public interest and feasible in view of the current consumptive demand in domestic and foreign markets, and (b) authorizing no action under this title which has for its purpose the maintenance of prices to farmers above the level which it is declared to be the policy of Congress to establish in subsection (1) of this section.

(3) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such container and pack requirements provided in section 8(c)(6)(H)³ such minimum standards of quality and maturity and such grading and inspection requirements for agricultural commodities enumerated in section 8c(2), other than milk and its products, in interstate commerce as will effectuate such orderly marketing of such agricultural commodities as will be in the public interest.

(4) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for any agricultural commodity enumerated in section 8c(2) as will provide, in the interests of producers and consumers, an orderly flow of the supply thereof to market throughout its normal marketing season to avoid unreasonable fluctuations in supplies and prices.⁴

(5) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to continue for the remainder of any marketing season or marketing year, such regulation pursuant to any order as will tend to avoid a disruption of the orderly marketing of any commodity and be in the public interest, if the regulation of such commodity under such order has been initiated during such marketing season or marketing year on the basis of its need to effectuate the policy of this title.⁵ (7 U.S.C. 602.)]"

² Amended by section 302 of the Agricultural Act of 1948 (July 3, 1948, 62 Stat. 1247) to refer to parity prices as defined in the Agricultural Adjustment Act of 1938.

³ The words "such container and pack requirements provided in section 8(c)(6)(H)" were added by Pub. L. 89-330, 79 Stat. 1270, approved November 8, 1965.

⁴ Subsection (4) added by section 401 of the Agricultural Act of 1954, 68 Stat. 906.

⁵ Subsection (5) added by section 141 of the Agricultural Act of 1961 (Aug. 8, 1961, 75 Stat. 303).

We suggest that what is being attempted today by the proposed legislation is not in keeping with the declaration of the policy of Congress.

As farmers or producers of a commodity, we look at the purpose of marketing orders to:

First—regulate the market in such a way that the forces within the market will not destroy the market itself. We have applied the principles of this kind of legislation successfully to many crops, primarily to the perishable fruits and milk. In addition, it has been duplicated by state marketing orders many times and in many states.

Second—to provide an abundance of the product for the market at a reasonable price. It has long been held that market orders themselves cannot be used as a means of only raising prices. However, through regulating quality and other terms of sale, farmers can to some extent effectuate price increases above that which would be obtained without the marketing order.

The interests of the consumer are well preserved in the market order legislation and the regulations imposed in marketing orders assures the consumer of a much higher quality product at fair and reasonable prices. The use of market orders does not mean the monopolistic manipulation of the market, as some people have erroneously concluded.

The Grange feels that the consumer's interest will be better served if potatoes for processing are included under Federal marketing orders. The housewife has just as much right to expect that the processed potato products she purchases have been made from the same high quality potatoes as she would buy for table use. This is not to say that present potato products are not made from good potatoes. They are, but the housewife would have more assurance of high quality if the potatoes were supplied to the processor under the regulation of a Federal marketing order.

We also feel that the best interests of the processors is adequately served by the knowledge that there is an abundant supply of the product at a high uniform quality available to the processor, that it will be delivered when most desirable from his standpoint, and that the problems of purchasing can be largely eliminated by the proper functioning of the Federal marketing order. Therefore, from the standpoint of the historical operations of the market order, we do not believe that processors have any reasonable gains to accomplish by adoption of this kind of legislation.

The Grange would like to state our early position that it is desirable to amend the marketing order legislation to include potatoes for all forms of processing and to prevent processors from having any voice in the developing of a market order, and then to prevent the producers from having any voice in the sale of the product after it has been processed. To do otherwise regarding coverage of marketing orders, is like giving a carpenter a hammer to build a house and then breaking the handle.

What we are saying is what we think is a matter of commonsense and justice. Stated simply, it is that the farmer should be allowed to regulate his market according to his best interest with proper regard being paid to the consuming public and that the processor should be free from interference from the producer in marketing of his finished product. It appears to us that this is the basis of mutual assignment of responsibility and mutual cooperation that can build a strong industry, regardless of whether it is potatoes, pears, peaches, cherries or milk.

The growing need for farmers to develop stronger joint programs in order to maintain a healthy, efficient food marketing system has been stressed by the June, 1966, report of the National Commission on Food Marketing, which pointed out that:

"Farmers as independent operators have not been able to coordinate quality improvement programs or to schedule more even flows of products to the extent demanded by today's food industry . . . Some form of governmental sanction for collective action will be needed, at least for a substantial period of time. Federal and State marketing orders and agreements are long-standing examples of instruments of this kind . . . (As an approach which is often complementary to cooperative organizations) they should be authorized for any agricultural commodity produced in a local area or regional subdivision of the United States. This is even more true today than in 1966."

In conclusion, Mr. Chairman, please permit me to re-state some basic Grange policy regarding farm marketing.

Our Journal of Proceedings for 1961 stated :

MARKETING ENABLING LEGISLATION

"The Grange has long advocated the commodity-by-commodity approach in the development of farm programs, and recognized the marketing order as a useful tool in developing such programs. Under existing Federal law, however, this and similar tools are not available to the producers of many commodities. If it becomes apparent that there is a broad desire on the part of the producers of any such commodity now excluded by law to have the opportunity to develop and vote on marketing-order type measures, we will support their efforts to obtain necessary enabling legislation."

In addition, in 1959, Grange policy regarding marketing orders was expressed as follows :

"Increased producer bargaining power. The Grange believes that farmers are entitled to bargaining power comparable to that enjoyed by 'labor' and 'business'. Farmers are both. Our programs would, therefore, seek to place responsibility for—and the control of—excess production in the hands of producers themselves.

"Provide producer-managed marketing programs. Through legislation, government has helped develop the bargaining power of organized labor. Other Federal laws often enable 'business' to regulate and control production and marketing of its products and services. Likewise, government should provide the framework for producer-managed commodity marketing programs, where necessary, to enhance producer-bargaining power."

At our 1968 Annual Session, the Delegate Body reaffirmed basic Grange policy of legislation to enable producers, through referenda, to establish facilities for orderly marketing of agricultural commodities, thus continuing our strong support for self-help farm programs.

We, therefore, urge this Committee to adopt, not S. 2214, but legislation that will extend Federal marketing orders to potatoes for all forms of processing, in keeping with the purpose and declared policy of Congress as expressed in the Act of 1937.

We appreciate this opportunity to appear before this distinguished Congressional Committee to once more support legislation to increase the farmer's control over his own destiny. Thank you, Mr. Chairman, for permitting the National Grange this privilege.

Senator HOLLAND. Mr. Frederick, I appreciate the shortening of your statement because it saves us some time.

I do want to call your attention to the fact, however, that the point raised by Senator Talmadge certainly has some validity, that if you exempt, if you cut out the exemptions of freezing and canning, you could have no exemption unless it were through exemptions with those who produce nonfood products. That may be a difference. It will, necessarily, produce a competitive situation between regions and regions which will not stretch such things as canners, freezers, dehydrators, and all of the others that are operating in this use of such a large percentage.

The total production of potatoes at that time would be receiving endorsements from communities which would say that in this region we do not have a marketing agreement; therefore, you will pick up your stakes and go somewhere else. People say that they can come there with them and they will give them a chance to continue to operate where there is a marketing agreement order.

It seems to me that this would operate perhaps in two ways. It will give an unfair competitive position perhaps to certain regions who simply would refrain from having marketing industry and orders or might operate the other way, and it might operate so much in their favor that areas which now have marketing agreements and orders would discontinue their use of them, which certainly would not pro-

vide any result other than greater confusion to the producer. I think that both of these points should be considered by those who are primarily interested, as your organization is, in helping the producers.

Mr. FREDERICK. May I point out that another result may be that if all potato products were under the marketing order, the price of potatoes would be increased in market areas that are under an order, therefore encouraging all growing areas to adopt marketing orders.

Senator HOLLAND. How would that operate as far as your general consumption public is concerned?

Mr. FREDERICK. Well, I am not here to advocate that consumers should be paying higher prices, but I am here to say that producers need to receive higher prices and marketing orders will permit that to do just that.

Senator HOLLAND. You can see that it is a complex situation.

Mr. FREDERICK. Mr. Chairman, it is a very complex and technical piece of legislation, and it has a lot of problems.

Senator HOLLAND. It becomes most complex when you try to make it operate in a producing field that really covers the whole Nation.

It is much less complex when it operates in a relatively small producing field. One area or three or four areas. It is much simpler as applied to that kind of a field. I think you will agree.

Mr. FREDERICK. I will agree to this.

Senator HOLLAND. The trouble is this field we are talking about is practically nationwide. There is hardly a State that does not—that is of the continent of the United States—that does not produce Irish potatoes.

Mr. FREDERICK. It covers a large number of States, but there is such a tremendous amount of, as Mr. Hedlund has testified. There is a tremendous amount of potato production going on into processing that we would think that if the exemptions were removed from the act that marketing orders would be used in practically all areas. All we are asking for is that the producer of the product, up to the point of his selling, has the most invested in the product and has the right to control the marketing of that product.

Senator HOLLAND. In general, that has been my position also, to strongly support the marketing agreement order procedure as much preferable to some of the other procedures used to help the farmers, and certainly in our State it has worked out better. It has worked out there as to production of commodity not produced nationwide. We are now talking about its operation in a field which is nationwide, and we are involved in a different situation. There are different subjects to be taken into consideration. There is the new potato, the shoestring potato.

Produced in my State is the hard potato that is produced later in the year. Let's take Maine and the Red River Valley and Idaho. There are other areas, too. There is very little comparable between those two productions. These are as to the cost of production. The cost of production is much greater in the United States or as to the value of the product in connection with its loss in quality, and the new potato does not last very long.

Mr. FREDERICK. That is right.

Senator HOLLAND. Hard potatoes can last under strong conditions and very—and can last a very long time and does so. The difference is very great.

The difference in the marketplace is very great.

Mr. FREDERICK. I would like to point out that in the United States there is about 52 percent of the fall production covered by marketing orders; 10 or 12 percent are going into processing of the type of potato in question.

If the orders continue, then this 10 to 12 percent will be deferred into the fresh market or they would try to find a market somewhere. I contacted the Florida Fruit & Vegetable Association, which I have previously worked with when I was working for the Vegetable Growers Association of America, and I discussed it with them, and they feel that perhaps this 10 or 12 percent would end up in the marketplace in competition with the Florida grown winter crop and they are in opposition to the enactment of this bill.

Senator HOLLAND. I am not surprised if they do because it would seem to me that because of the nature of their production that would be their position.

It calls attention to the fact that, again, that a nationwide product produced in different qualities and different areas present a very difficult problem under the marketing agreement.

Mr. FREDERICK. And currently that this—currently these potatoes would end up in the fresh market in competition with the Florida product.

Senator CURTIS. Would the producer of the U.S. 1-A potato—if you followed the best and most efficient method of production—normally produce a certain amount of U.S. 1-B potato?

Mr. FREDERICK. Well, it has been a long time since I followed a potato digger. Back in the days when I was producing there would be a certain amount of U.S. 1-B potatoes produced and there would be a larger amount of U.S. 1 potatoes produced and I am sure the same conditions exist today.

Senator CURTIS. Is it your position that those should not be sold for food purposes?

Mr. FREDERICK. I think this would be—here again, we get into the technicalities and the techniques of the marketing order. I think this would have to be determined by the producers themselves who would vote at a referendum for the regulation of that order to determine the grades that could be sold under the order.

Senator CURTIS. Under the program that you proposed would the B size potatoes have any outlet for food purposes?

Mr. FREDERICK. Perhaps they would, and most certainly under certain conditions they would. I think it would be again up to the producers in the area of the marketing order covered to determine whether they wanted them to go to market or not in competition with No. 1 potatoes or whether they wanted them to be diverted into other food uses or nonfood uses under the order and whether they should be dumped.

Senator CURTIS. That is all, Mr. Chairman.

Senator HOLLAND. Senator Jordan, any questions?

Senator JORDAN. No questions.

Senator HOLLAND. Thank you, Mr. Frederick.

Mr. Harry L. Graham, legislative representative, the National Farmers Organization.

Proceed, Mr. Graham. I am going to ask you to please file your statement. I am sure that meets with your approval.

Mr. GRAHAM. It does, Mr. Chairman. However, it is a short statement. I will go ahead and summarize it.

Senator HOLLAND. You go ahead and summarize it or read it as whatever you think will be to the best of your advantage.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL FARMERS ORGANIZATION

Mr. GRAHAM. I just want to pick out a couple of points here, and then I will leave time for the people who are on the list. They are the producers of potatoes who can answer most of the questions that are asked. They can answer them much better than anybody else.

We have here two people who are producing in this Oregon-California market area. One is from Washington and the other one is from Maine.

May I point out quickly, and Mr. Frederick touched on this, that in the history of potato marketing orders, the first mistake was made when there was a substantial part of this production that was exempted, and this reason that the market orders are not in these areas is because they have been terminated, and almost invariably because of the problem that has arisen because of the exemptions that were written into the original order.

Now, Mr. Chairman, if there is any one man in the Senate that is an expert on marketing order. I think it is you, and you understand what I am talking about on this.

Now, to point out some of the problems. If you exempted manufactured milk from the milk marketing orders, you would have a terrible time making those orders work if you could make them work at all.

Almost all of the milk that is marketed under Federal orders is on the basis of regulating all of the production and this should be done with potatoes.

The statement was made by Mr. Harding about the processor in Idaho; but he did not say that no processors are manufacturing in the market other than in Idaho and they are exempt from the Idaho order. This holds no relationship to what is being talked about.

What we would like to have is the right of the farmer to have marketing orders that would be over all potatoes. With your permission, I would like to submit the language of a bill that was introduced in 1962, which is to include all of the orders in these.

Senator HOLLAND. Do you wish this to be copied into the record?

Mr. GRAHAM. Yes, if you will, please.

Senator HOLLAND. Without objection.

(The bill referred to follows:)

[H.R. 497, 88th Cong., first sess.]

A BILL To amend the Agricultural Adjustment Act as reenacted and amended by the Agricultural Marketing Agreement Act of 1937

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended as follows:

"Section 8c(2) is amended (a) by inserting before 'grapefruit,' where it first appears 'potatoes,' and (b) by striking out 'asparagus,' and inserting in lieu thereof 'asparagus and potatoes,'"

Mr. GRAHAM. Now, I would like to say that there are two other reasons for my being here. One is that the NFO was the major marketing force in potatoes last year. We moved a tremendous amount of potatoes and we got a great deal involved in it.

The second is that I would like to point out that I think the committee has a right to be concerned with the unemployment of some 30 people and a small plant in California. We are also talking now about the production of 300,000 farmers. They have some rights and privileges, and it seems to us they are just as important as those we have heard about from the other side.

Now, Mr. Chairman, I do not know what these witnesses will have to say. They have been talking among themselves. Obviously they are going to have to shorten things up, but I do want Mr. Edwards of California and Mr. Bruce Nicholes from Oregon to speak. Mrs. Voss, from Washington, and Mr. Mooers from Maine need to at least submit their statements here and to answer some of the questions that have been asked.

Senator Curtis, one of your last questions can be answered very accurately by the people who are involved in this. I would like for them especially to tell you what they have been receiving for their B potatoes on the farm and some of these prices will astound you. You will understand very well why the processors want to eliminate all potatoes from the market orders.

If they could buy them at a price as low as 10 cents a ton, of course, they would want to eliminate them. That is what has happened.

That is all the time I am going to take this morning, Mr. Chairman. These producers have come a long way.

(The prepared statement of Mr. Graham is as follows:)

Mr. Chairman and members of the committee. I am Harry L. Graham, Legislative Representative of the National Farmers Organization.

The N.F.O. is an association of farmers whose purpose and program is to block together enough of their production of any and all agricultural production that they can collectively bargain together for improved prices.

Although we are convinced that the ultimate victory in the perpetual battle for farm prices is to be found in the use of the proven techniques of collective bargaining, we are very much aware of the contribution which can be made by the proper use of the powers and the authority of the state and federal governments to maintain some stability in the highly volatile agricultural markets.

This is especially true in relationship to those markets where it is easy for the giant processing industries to bring unwarranted economic pressure on segments of the production and thereby destroy any possibility the farmers may have had to obtain a fair return for their production.

Certain commodities are particularly vulnerable because parts of their production are put to different uses. Oranges, apples, milk and potatoes fall within this category because they are used both in their natural state and for processing into forms which are partially or completely prepared for use.

Before the passage of the Agricultural Act of 1937, even when only a minor section of the production went into the processing uses, this was always priced at the so-called "surplus" prices which was almost invariably lower than the prices paid for the product when it was used in its original form. The net effect of this system was to drive the prices for all of the production of a given commodity to the level paid for that which went into surplus or manufacturing usage.

The Agricultural Act of 1937 provided a method which could be used when desired to isolate the production which went into processing from that which was used in its original form. This was by using market orders, developed through a "hearing" process at which all segments of the industry was represented, including the general welfare, and which could be instituted only after a two-thirds majority of the producers approved of the projected order through a referendum.

Such market orders function by classifying the product according to usage, pricing it according to this use classification, and thus permitting that which goes into manufacturing usage to carry a different and lower price when the necessity for this is indicated in the evidence presented at the hearings.

Such orders can also be used to control grade and quality and to indicate the usages to which each can be put and to prohibit the use of some grades and quality which would not be in the general interest.

At the present time, about one-half of the potatoes being marketed in the U.S. are moving under either state or federal market orders or both. Other areas have used market orders and have rejected them when they did not seem to answer the particular problems of their areas.

The N.F.O. does not pretend to suggest that all of any commodity should come under a market order. In fact, we would not contend that any part of some commodities should be so ordered. What we do contend is that this method should be available when it is needed to solve the problems of disorderly marketing.

We recognize that there is a certain unfairness in the present law which excludes potatoes used for canning and freezing from the provisions of the order. However, the most obvious solution is to extend the provisions of the order to include these, and thus put all potatoes used for processing on an equal basis. This committee has been the necessity of eliminating some of the exclusion written into the original legislation, and we trust that the very desirable trend which we have witnessed during the past few years will continue.

We would note to the committee and to the agricultural producers that there is considerable evidence that the processing industry is using this potato bill as a test case. If they are successful in turning back the clock of economic legislation on this issue, they will return repeatedly with requests to eliminate from market orders all vegetables and fruits and dairy products now used for manufacturing purposes.

At a time when the producers of agricultural products are under terrific and increasing pressure from the so-called "cost-price squeeze," farmers can ill afford to permit even one breach in their carefully developed marketing programs.

In this case the issue is clear as it comes before the Congress. Either the Congress takes the side of the farmer who are already extremely hard hit financially, or it takes the side of the processors in their external struggle to exploit the farmers. We do not fault them for trying to gain an extra economic advantage. The N.F.O. is engaged all of the time in negotiating with them concerning the conditions of the sale of agricultural commodities, including potatoes. We are not surprised by this move nor are we overwhelmed.

We are prepared to fight for adequate farm prices on every front which the processors choose. We are not unaware of their financial and political power. But we trust the fairness of the Congress which it has repeatedly demonstrated to not further upset the already unequal balance of power by ruling in favor of the concentrated economic might which does not consider either the welfare of the farmers or of the consuming public.

Senator HOLLAND. I will have to call these names as they are listed. The next one is Raymond Jones, Instant Potato Products Association. Mr. Jones?

A VOICE. May I make a request that there are some growers who have come a long way, and we have got some growers on our side that have come a long way and I would hope that the time could be divided up to give the growers a chance to just make a statement and answer questions. We would agree with Mr. Graham.

Senator HOLLAND. Well, we will go ahead until 12:30. We do not have a meeting of the Senate today, but I have to be at other hearings.

A VOICE. May I point out that the proponents already took an hour and a half in their statement of the case, and now want to divide the last 15 minutes.

Senator HOLLAND. In 40 minutes from now it will be 12:30, as I look at the clock. Do you wish to file your statements?

Mr. JONES. I would like to be heard.

Senator HOLLAND. Well, I am going to permit this witness to be heard, and after this I am going to go to the extreme of calling some growers further down the line, because I do not believe we have heard any of the bona fide growers as yet, and let others justify their statements.

All right, go ahead, please, as quickly as possible.

STATEMENT OF RAYMOND D. JONES, INSTANT POTATO PRODUCTS ASSOCIATION, MINNEAPOLIS, MINN.

Mr. Jones. Thank you.

My name is Raymond D. Jones, operations manager, Grocery Products Division, the Pillsbury Co., Pillsbury Building, Minneapolis, Minn. I am past president of the Instant Potato Products Association, which has designated me to voice its unanimous support of H.R. 11243 and S. 2214.

The Agricultural Marketing Agreement Act of 1937, as amended, needs updating to reflect today's industry conditions and the intent of the act.

1. The "U.S. Standards for Potatoes," effective July 15, 1958, lists the following grades of potatoes; U.S. fancy, U.S. No. 1, U.S. commercial, and U.S. No. 2. These grades are further broken down into three sizes: A, B, and C. Other potatoes are termed "unclassified."

An "unclassified" potato with rough skin, knobby configuration, or over or under sized, may be unacceptable for fresh market sale, but may create a superior instant mashed potato.

On the other hand, a U.S. fancy potato, perfectly formed, smooth skinned and medium sized, possessing high reducing sugar or low specific gravity, would be completely unacceptable to the instant mashed potato processor.

Fresh and processing segments of the potato industry have separate problems and should be treated separately.

2. An example of the inequity of the present act is as follows: The Red River Valley of Minnesota and North Dakota is divided by the Red River of the north. There are five potato dehydration plants in this area; two on the east side of the river and three on the west. If, by referendum, the Minnesota growers voted in favor of a marketing agreement, under present law, 58 percent of Pillsbury's present grower-suppliers would lose one of their prime outlets. Exempting potato processors from the act would overcome this type of economic inequity.

3. Finally, potato consumption had declined steadily over the past 50 years until potato processing became prevalent. Now, since the late fifties potato consumption increased about 15 percent. Present law threatens this trend and H.R. 11243 and S. 2214 will eliminate this

threat. The Instant Potato Products Association urges passage of this legislation.

I would like to comment on three remarks that came up here this morning in earlier testimony.

Reference was made to regulation of quality. Quality is one thing in a fresh market and it is another thing in a processing market. I stated that in my initial remarks.

Secondly, it is normal to grow B quality in a normal field run. It is required to use B size for slices such as are used in schools and in au gratin potatoes because we do not want to have squares of large potatoes cut in quarters.

Thirdly, instead of 300,000 farmers as Mr. Graham stated there earlier, there are only about 22,000 farmers growing about 93 percent of the commercial crop, so we are not dealing with that large number of growers. We are dealing with commercial farmers that are supplying the Nation's potato requirements.

That is all I have to say, sir.

Senator HOLLAND. Of course, you understand that under the marketing agreement there is no chance of preventing processors from having access to the crop and from purchasing. The question is whether they are willing to compete by paying what the farmers regard as a fair price for their product, isn't it?

Mr. JONES. There is no argument to that. It is just that we do not feel that regulations as to what grade of potatoes, as defined in the U.S. standards, are the criteria for the processor's requirements.

Senator HOLLAND. Well, of course the farmer has a right to decide what he wants to sell and what he does not want to sell, and he also has a right to decide what the price is that he wants to sell it for.

Mr. JONES. True.

Senator HOLLAND. Isn't the fact of the matter that the processing industry pays far less per hundredweight for its potatoes than does the fresh vegetable end of the industry?

Mr. JONES. The fresh vegetable end of industry creams off the 1's and 2's which go into fresh market because appearance is one of the primary prerequisites of consumer's desire to purchase.

Senator HOLLAND. A good deal more per hundredweight?

Mr. JONES. For the potatoes that are creamed off, yes, because there are a small percentage of the 1's and 2's that is versus the total field run which otherwise has perfectly good high quality edible material.

Senator HOLLAND. Your point is that since it does have high quality, edible material, that the farmers should have the right of decision as to whether he wants that to move in the market?

Mr. JONES. I think that as Mr. Harding stated earlier today, the farmer should have the ability to use any market he chooses.

Senator HOLLAND. Exactly. And if he chooses not to offer it at all, because of the price differentials, that is his privilege, too.

Mr. JONES. It is today.

Senator HOLLAND. Don't you think it should be?

Mr. JONES. Yes, but not by artificial regulations of what can or cannot move.

Senator HOLLAND. Is it artificial if two-thirds or more than two-thirds of the producers—and that is what is required—enter into the marketing agreement structure as a matter of making a deliberate

choice of how they want their production to be sold and therefore at what sort of a price level, because it is how much that is sold that ultimately determines the price level, isn't it?

Mr. JONES. As the act reads today, exempting freezers and canners and as has been suggested, eliminating that exception, you still have the possibility and a very real responsibility between the processors in various sections of the country.

Senator HOLLAND. I recognize that there is a difference between the various kinds of processors, but I think that the basic question is whether or not it is wise and appropriate to give to the growers the right to decide what kind of potato they want to sell, how many, and therefore to have that important privilege in determining something about the price structure. They cannot price it out of reach of the people who buy and depend on the potato to a large extent for their daily food. They have to consider the ability of the consumer and the customer to pay it.

Don't you think they ought to have the right to decide also what they need to get to pay their cost of production?

Mr. JONES. Well, it is our studied opinion over several years, in living with these various problems in the various sections of the country, that such artificial regulation is unworkable and is unadministratable.

Senator HOLLAND. Well, thank you very much.

Senator CURTIS. One brief question. This 15 percent increase in consumption, is that per capita?

Mr. JONES. Per capita.

Senator CURTIS. That is all. Thank you.

Senator HOLLAND. All right.

Now, the first grower that I see listed here is listed as being against the bill. His name is Mr. Wilbur Edwards, and the second one listed as against is Mr. John Mooers. I notice that there are several growers listed that are stated to be for it, Mr. Oliver Lovins and Mr. Rolland Jones.

Well, I am going to pick two that are against and two that are for, because I cannot do anything else. I think that is about all we are going to have a chance to hear. I will call out two names. Mr. Wilbur Edwards and Mr. Bruce Nicholes.

Off the record.

(Discussion off the record.)

Senator HOLLAND. Back on the record.

Now, we have got this set up. We will listen to those four named people. The rest of you will have an opportunity to file your statement. I am going to divide the time into 15 minutes to each side. I am going to call the time when you get to the end of 15 minutes.

STATEMENT OF WILBUR EDWARDS, TULELAKE GROWERS ASSOCIATION, TULELAKE, CALIF.; ALSO REPRESENTING THE KLAMATH COUNTY POTATO GROWERS ASSOCIATION AND THE MODOC AND SISKIYOU COUNTY CHAPTERS OF THE CALIFORNIA FARM BUREAU FEDERATION

Mr. EDWARDS. I would like to briefly give you my conclusion with one of the paragraphs from my testimony which reads even though some 30 processors in California alone have built large and profitable processing businesses on the use of undesirable fresh potatoes, the producer usually receives no more than 5 or 10 percent of the actual production cost. These processed potatoes then go into direct competition with the desirable grades of fresh potatoes.

Senator HOLLAND. Do you wish your entire statement to be filed?

Mr. EDWARDS. Yes, I would.

Senator HOLLAND. It will be filed.

(The statement referred to follows:)

In 1937 the Agricultural Marketing Agreement Act set up the marketing agreement program. The Oregon-California marketing agreement was enacted at hearings held in Portland, Oregon, on January 31 and February 1, 1955 at which Order No. 947 was accepted, as amended. It was established for regulating the handling of Irish potatoes grown in Crook, Deschutes, Jefferson, Klamath and Lake counties in Oregon, and Modoc and Siskiyou counties in California.

The purpose of the order was to effectuate the declared policy of the act with respect to potatoes produced in the specified Oregon-California area—by controlling size, shape and condition of the potatoes leaving the area and thereby establishing and maintaining orderly marketing conditions that tend to establish reasonable prices for the producers (parity prices) and at the same time protect the consumer interest. These standards are administered at a marketing area office, enforced by Federal-state inspectors and financially self-sustaining by the potato producers alone.

The Agricultural Marketing Agreement does not impose regulations, it merely provides the authority under which growers can develop regulations to fit their own situation and solve their own marketing problems when their commodity is over-produced. This is done, under the authority of the Act, to put supply in line with demand, by the elimination of lesser grades of potatoes, such as culls, a percent of small U.S. No. 2's (usually under 6 oz.) and some U.S. No. 1's (usually under 2" or 4 oz.).

By being able to put the supply in line with demand the potato producers have the same advantage as other business organizations. Manufacturers keep supply in accordance with the consumer's demand for a product by shutting down or slowing down production. This regulates prices and keeps the economy better balanced. The potato producer or potato manufacturer must keep his production at a maximum at all times, to give this nation a guaranteed supply of one of the most widely used, most nourishing commodities—which is still economical in comparison to other foods, and to combat the unpredictable elements of nature.

This inevitable over-production must then be controlled through marketing orders or the more expensive diversion program. Either of the two methods have the effect of diverting the undesirable grades of the commodity from human consumption.

Even though a marketing order for potatoes is in effect in Oregon and California (and many other states) some years a Federal diversion program has been necessary to eliminate large surpluses of potatoes at a great expense.

This diversion program could be eliminated through marketing orders, if more reliable information could be obtained on potato stocks-on-hand.

The 1967-1968 crop year began with a surplus of potatoes. The United States Department of Agriculture would not give a diversion program early in the season when they were asked for one. However, later help was received through the diversion program—but too late. Many farmers did not receive a price that was above the cost of production, because of the late diversion.

In the 1968-1969 crop year the growers in the Oregon-California marketing area decided to eliminate culls, "B" size potatoes, and the small U.S. No. 2 grades (from 4 oz. to 6 oz.) from the market. This had the same effect as a diversion program but did not cost the consumer-taxpayer any money. The farmers even received a better price than expected because of this method of handling the production problem. This is why HR 11243 and S 2214 are so damaging to the consumer, producer and the complete economy.

Because the potato producers desired to use their self-help program provided under the marketing agreement, some processors were unable to receive their usual supply of culls and undesirable grade potatoes in the 1968-69 shipping season of the fall harvested potatoes.

Even though some 30 processors in California alone have built large and profitable processing businesses on the use of undesirable fresh potatoes, the producer usually received no more than 5% to 10% of the actual production cost. These processed potatoes then go into direct competition with the desirable grades of fresh potatoes.

These prices may have been favorable in the 1940's or 1950's, but in the late 1960's this is ridiculous—for potato producers to keep supplying potato processors with their commodity, at a loss, and then have these same low grade potatoes in direct competition with the best quality fresh potatoes in the markets.

Most of the people in the Oregon-California production area believe canners and freezers should no longer be exempt from the marketing agreement regulations either. With *all* types of processors under marketing agreement jurisdiction, all potato buyers would be on an equal basis in fair competition—and this would ease the cost-price squeeze the grower faces. In low production years the marketing agreement standards could be lowered accordingly, by use of the marketing order, so that culls and "B's" could be processed or sold fresh, if necessary.

It is felt by the potato producers in the Klamath Basin that HR 11243 and S 2214 were purposely introduced at this time—during the producers busy planting season. There was no official publicity and a majority of the growers across these United States know nothing about the two bills. Producers have not had adequate notice for proper preparation and presentation of their testimony so that all true facts might be disclosed. It is therefore important that HR 11243 and S 2214 be either defeated here and now, or given adequate time for the producers to prepare a proper testimony.

(The attachments to the statement are as follows:)

To whom it may concern:

Greetings, the Tulelake Growers Association, Tulelake, California and the Klamath Potato Growers Association, Klamath Falls, Oregon, hereby authorize Wilbur (NMI) Edwards, also known as "Willie" Edwards, Post Office Box 426, Tulelake, California 96134, to represent their membership at the hearings on HR 11243 before the subcommittee on domestic marketing and consumer relations of the United States of America House of Representatives agriculture committee and on S 2214 before the subcommittee #3, agricultural production, marketing and stabilization of prices of the United States of America Senate Committee on agriculture and forestry and in any conferences and/or meetings related to HR 11243 and/or S 2214, in or near Washington, District of Columbia, on or about June 8, 1969 A.D. through June 11, 1969 A.D.

Dated this 6th day of June, 1969 A.D. in Tulelake, California by Larry C. Haynes, president, Tulelake Growers Association and in Malin, Oregon by George Rajnus, president, Klamath Potato Growers Association.

LARRY C. HAYNES,

President, Tulelake Growers Association, Tulelake, California.

GEORGE RAJNUS,

President, Klamath Potato Growers Association, Klamath Falls, Oregon.

To whom it may concern:

Greetings, the Modoc and Siskiyou County, California, chapters of the California Farm Bureau Federation hereby authorize Wilbur (NMI) Edwards, also known as "Willie" Edwards, Post Office Box 426, Tulelake, California 96134, to represent their membership at the hearings on HR 11243 before the sub-committee on domestic marketing and consumer relations of the United States of America House of Representatives Agriculture Committee and on S 2214 before the sub-committee #3, Agricultural Production, Marketing and Stabilization of Prices of the United States of America Senate Committee on Agriculture and Forestry and in any conferences and/or meetings related to HR 11243 and/or S 2214, in or near Washington, District of Columbia, on or about June 8, 1969 A.D. through June 11, 1969 A.D.

Dated this 6th day of June, 1969 A.D. in Tulelake, California by Don E. Hurlburt, director, Modoc County Chapter, and authorized representative of the Siskiyou County Chapter, of the California Farm Bureau Federation.

DON E. HURLBURT,

*Director, Modoc County, Authorized Representative, Siskiyou County,
California Farm Bureau Federation, Tulelake, California.*

Mr. EDWARDS. In conclusion, it is felt by the potato producers in the Klamath Basin that S. 2214 was purposely introduced at this time—during the producers' busy planting season. There is no official publicity and a majority of the growers across these United States know nothing about the two bills. Producers have not had adequate notice or proper preparation and presentation of their testimony that all true facts might be disclosed. It is therefore important that S. 2214 be either defeated here and now, or given adequate time for the producers to prepare a proper testimony.

Senator HOLLAND. Well, I am interested particularly in what you said about the level of pay that producers get for the inferior-grade potato which goes to the processor. Now, please give that again a little more fully.

Mr. EDWARDS. Well, in most cases, except for a very, very unusual year, the producer usually receives, maybe 10 or 20 cents net per hundredweight in B-sized potatoes which go to processing.

Senator HOLLAND. Well, is that the cost of production?

Mr. EDWARDS. That is about 5 to 10 percent of the cost of production.

Senator HOLLAND. Then it is your position, is it, that you think that either they should receive more or should have the right to withhold that portion of their crop which, as you have said, goes into competition with the better part of their crop which moves as fresh potatoes?

Mr. EDWARDS. That is correct. In years when the production of potatoes is down and the lower grades are needed for consumption, the grade standards can be lowered to where these potatoes can go fresh or processed, but the main purpose of the market order is to put supply in line with the demand whereby farmers can receive a fair price for the commodity.

Senator HOLLAND. I notice that you pointed out that there are two counties that are covered by this Oregon-California marketing agreement.

Mr. EDWARDS. Yes, sir, in California.

Senator CURTIS. Are some better potatoes produced in the normal course of producing U.S. 1-B?

Mr. EDWARDS. Yes, sir.

Senator CURTIS. And it is your position that U.S. No. 1-B's should not be channeled into the food market?

Mr. EDWARDS. Only if needed. If they are needed to supply the public with an adequate amount of potatoes, even the grading regulations can be lowered whereby they can go into channels for fresh or processing of potatoes.

Senator CURTIS. Is it your position that the competitive disadvantage from selling B's for food outweighs the gains?

Mr. EDWARDS. That is correct.

We have had experiences his year in just exactly this. There has been a higher demand in the No. 2 potato, which put our No. 1 potato into a moderate demand and we saw the better price.

Senator CURTIS. That is all.

Senator HOLLAND. All right.

Mr. EDWARDS. May I make one statement?

Senator HOLLAND. I want to ask you something. Has there been any shortage to the consumer of potatoes in the Pacific area of the Nation?

Mr. EDWARDS. No, sir. At the present time, even though we did eliminate the B size potato from being available, at the present time there are about 50,000 sacks of field run potatoes in the Klamath Basin unsold.

Senator HOLLAND. What percentage of California production of Irish potatoes is produced in the two counties in the Klamath Basin and in the Oregon-California marketing agreement area?

Mr. EDWARDS. What percentage of what, sir?

Senator HOLLAND. Of the total California production?

Mr. EDWARDS. I am not prepared to tell you that. I think the Kern County area is around 40,000 acres, which is a major producing area.

The Klamath Basin, in California and Oregon area, would produce between 20,000 and 25,000 acres a year.

Senator HOLLAND. Well, the two California counties that are in the Oregon-California organization marketing order area, are by no means the producers of a major part of the California potato crop?

Mr. EDWARDS. They are the producers of the major amount of winter potatoes.

Senator HOLLAND. But not of the rest?

Mr. EDWARDS. That is correct.

Senator HOLLAND. Yes. In other words —

Mr. EDWARDS. Our competition is in a different area. It is in an area that harvests their potatoes in the fall of the year. The rest is in competition with the southern State, which we call the summer potato.

Senator HOLLAND. Thank you, sir.

Mr. EDWARDS. Thank you.

Senator HOLLAND. I will call the first of the two witnesses who are for the bill. I will remind the opponents you have used some 8 minutes so far and have 7 minutes left.

STATEMENT OF REED HUNTER, LEWISVILLE, IDAHO

Mr. HUNTER. My name is Reed Hunter. I am a potato grower and shipper from Lewisville, Idaho. I am here to support S. 2214.

I have here petitions and a letter that I would like to enter into evidence.

Senator HOLLAND. It will all be received in the record.

(The documents referred to follow:)

HON. CLIFFORD M. HARDIN,
Secretary of Agriculture,
Department of Agriculture,
Washington, D.C.

HON. ALLEN ELLENDER,
Chairman, Committee on Agriculture & Forestry,
U.S. Senate,
Washington, D.C.

HON. ROBERT POAGE,
Chairman, Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

We, the undersigned potato growers, feel that the Marketing Order Act of 1937 as amended discriminates against the growers who produce potatoes for dehydration. We feel that dehydration should have the same exemption as potatoes for canning and freezing.

We produce potatoes that are processed. It is our feeling that all potatoes—whether for canning, freezing, dehydration, chipping, or shoestring manufacture, regardless where they are processed, be it in Idaho, Washington, Oregon, California, the Red River Valley Maine, or elsewhere—should enjoy the same marketing order exemption.

It is for this reason that we support legislation to accomplish the above.

(NOTE.—The above petition was signed by 267 potato growers in Idaho.)

The signatures below are those of potato growers who believe that dehydrated potato products should receive the same exemptions from federal marketing orders as those now enjoyed by frozen and canned foods. Since dehydration is now also a major method of preserving food we respectfully petition your support of House Bill 11243 and Senate Bill 2214 which will provide an equitable competitive position for the dehydrated potato.

(NOTE.—The above petition was signed 29 persons.)

Mr. FORREST SEVERE,
Idaho Farm Bureau,
Pocatello, Idaho

MARSING, IDAHO.

DEAR MR. SEVERE: Hearings will be held this month regarding HR 11243 and SB 2214, bills amending the Agricultural Marketing Act of 1937 to include all potatoes for processing.

In that original Act was aimed primarily at all fresh fruits and vegetables, including potatoes, they were all exempted for canning. In keeping with the original intent, all fruits and vegetables for freezing were also exempted in 1946, as this method of processing improved and expanded.

Today dehydration is an accepted method of food preservation and is one of the major consumers of the potato crop, as well as other fruits and vegetables. Since dehydrated products compete directly with canned and frozen in the marketplace, I feel the same exemption should be extended to dehydrators as to canners and freezers. In this way, all processors of fruits and vegetables would be competing equally.

A regional marketing order could place growers in one area in a very unfavorable economic condition, while potatoes used for dehydration in another area would not be affected.

We urge you to lend your support to the passage of HR 11243 and SB 2214, to maintain continued growth in the potato industry.

Sincerely yours,

JAMES KENT.

(NOTE.—Letters identical to the above from 14 other persons in Idaho were received by the subcommittee for the record.

Mr. HUNTER. Last year my brother and I raised over 1,000 acres of potatoes in the Lewisville and Osgood area. We sold potatoes to R. T. French, American Potato Co., Simplot, Rogers Bros., and Idaho Fresh Pak for processing. The balance, which was less than 10 percent of the crop, we packed and shipped on the fresh potato market.

That portion of my crop that was sold on the fresh market was sold under the grade and size regulations of the Idaho Malheur County marketing order. I support the continuation of a marketing order for fresh potatoes. I feel it is necessary to promote quality and, as a result, premium price for Idaho potatoes.

However, for the portion of my crop that I sell to processors, I do not want to be restricted or penalized by any regulations that do not apply to potato growers or processors in other areas.

I urge you and the members of this committee to support this legislation that will guarantee that all processors will be on an equal competitive basis, and the processors who buy my potatoes will not be faced with restrictions that do not apply to processors in other areas.

I feel the passage of this legislation will accomplish this and is therefore in my best interest as a potato grower.

Thank you, Mr. Chairman.

Senator HOLLAND. Do you have a figure showing what was the average price of the potato that it sold in the fresh potato market and average price of your potato sold to be processed?

Mr. HUNTER. Yes, I have. I remember them off the top of my head.

Senator HOLLAND. State those for the record, please.

Mr. HUNTER. The first potatoes we sold were for \$2 scooped in the fall of 1968. Later, they varied in price from \$2 to \$3.50 scooped up.

Our No. 1 potato sold on the market at \$4 per hundred, and the price was approximately \$2 for No. 2 potatoes.

Senator HOLLAND. That was the fresh potato?

Mr. HUNTER. Fresh potato market.

That was for the few that I sold there.

Now, for comparison, I might say this—

Senator HOLLAND. I believe you said that you sold only 10 percent of your total crop on the fresh potato, is that correct?

Mr. HUNTER. That is correct.

Senator HOLLAND. What was the average, sir?

Mr. HUNTER. The average price for potatoes I sold on the fresh market was below the price I received from processors at the time that I sold to them. That is the reason I did not sell any more than 10 percent of my crop on the fresh market because the processor would give me a higher price.

Senator CURTIS. That was the field run?

Mr. HUNTER. It was for field run.

Senator HOLLAND. What was the average price of the potatoes that you sold to processors?

Mr. HUNTER. Average price? Well, I would have to guess. It was on an average from \$2 to \$3.50. Let's say \$2.75.

Senator HOLLAND. And you sold 90 percent of your crop to the processors?

Mr. HUNTER. Yes.

Senator HOLLAND. I see.

Senator CURTIS. Did you sell 90 percent to the processors because you felt you would make more money?

Mr. HUNTER. Yes, and I had my own shed, too, and we closed the doors and sold to the processors because we could get more money this way.

I do not want any of these fine companies to be hurt. Pik-Nik was such a fine company.

Senator CURTIS. That is all.

Senator HOLLAND. Thank you.

Next I will call the second one of the growers who is said to be against the bill. That is Bruce Nicholes.

STATEMENT OF BRUCE O. NICHOLLES, MADRAS, OREG.

Mr. NICHOLLES. I would like to just read a small portion of my prepared brief, and then I will file it with you, Mr. Chairman.

Senator HOLLAND. The whole statement will appear in the record. (The statement referred to follows:)

Mr. Chairman: I am Bruce O. Nicholes. My address is Route 2, Box 1402, Madras, Oregon. My occupation is farming. I farm 380 acres of irrigated, diversified farm ground in the north unit irrigation project at Madras, Oregon. I have been raising potatoes every year since 1954. I am also President of the Scotty Potato Distributing Company, Inc., an Oregon corporation dealing in potatoes, packing and shipping as well as growing an average acreage of 200 acres of potatoes on these grounds. Scotty Potato Distributing Company also buys potatoes to pack from other growers in the area. Scotty Potato Distributing Company or myself as an individual have been in the packing and shipping of potatoes since 1956. I have been a member for two years on the control committee of the Oregon, California marketing order as a handler. I am a member of the National Farmers Organization. Past president of the Jefferson County Chapter of NFO. Past chairman of the National Farmers Organization National Potato Program. I am at the present, coordinator for the NFO in marketing order programs. We of NFO feel that the Federal Marketing Order Act is one of the best laws on the books at this time for farmers to add some control in how potatoes are marketed. It is a fair law for both producer and consumer. Though the producer has control over the marketing of their products, the Secretary of Agriculture must approve of each and every action the control committee takes. He is there to see that the grower uses the program only to get a fair and equitable price. He is also there to see that they do not abuse the power and restrict the market to the point to causing the consumers to be short of food or cause the price to react to a point to be more than the average of parity in any one crop year. We are here today. Mr. Chairman, to consider legislation that has been introduced to amend the powers of the marketing order act, which growers have voted in by at least a 66 $\frac{2}{3}$ majority to control the marketing of potatoes in many sections of this great nation.

Let's look at the past record of potato prices from years behind us. Let's consider whether these marketing orders have abused the law which has given them their right to control quality and volume of the potato crop they have produced. The winter crop is the crop which is now under marketing orders. The following is an average price growers receive for potatoes during the winter crop which is covered by marketing orders.

	Average in the 9 western States	Average fall production	Average in the United States
Year:			
1960	\$1.99	\$1.79	\$2.00
1961	1.14	1.22	1.36
1962	1.48	1.48	1.67
1963	1.57	1.70	1.78
1964	3.40	3.63	3.50
1965	1.92	2.10	2.53
1966	1.87	1.97	2.04
1967	1.71	1.68	1.86
1968			

These figures are from the U.S. Department of Agriculture. Now Mr. Chairman, you can see by this table that those growers of potatoes under marketing order control have not abused the use of the marketing order. Only once in this period of 1960 through 1968 did they even receive the average on the prices of potatoes in the United States and that was only in 1964, when they received 13¢ over the average price. At that time, every usable potato in the growers hands was used and the marketing order only controlled the quality which could be put on the market. Quality is what marketing orders control most of the time. This assures that the consumer receives that grade of potatoes he purchases at the retail level. Why do processors want out from under the control of the act. Not because of lack of quality potatoes to use in their processing, but because they want to use that potato that has been removed from the market because it is of such poor quality it cannot be shipped to the market by fresh shippers or because either the marketing order has taken it off because of quality or the order is trying to control the volume of potatoes which will go to the market.

There is just so much demand for any product on the consumers market whether it be in processed potatoes or fresh, with each year more of the crop being processed. If a processor can take the potatoes which are removed by the marketing order and place them on the market anyway, there is nothing taken off. Growers must receive a fair price for that which they produce. Much of the potatoes purchased for processing are called potatoes purchased at a price of 10¢ per hundredweight or even 10¢ per ton. Can this be fair? Where else can a manufacturer purchase his supplies of raw products to manufacture his product at such a ridiculous price? This is less than 5% of the cost of production. The product is bought cheap because it is of low quality on the fresh market. After moving through a processing plant, it is marked US No. 1 Potato.

There is no room at today's consumption rate to move 100% of the potato crop into the market at a fair price to growers. Growers must be able to control that percentage of the crop that can be used, otherwise there will be chaos in at least 4 years out of 5. For 1% of excess production kills any hope of growers receiving a fair and equitable price for his production. The USDA Crop Reporting Service sees to this. Yet, if we have a short crop and people do not have sufficient supply, prices will skyrocket. Under the marketing order we are able to adjust an overproduction so that growers may receive a fair price for that percentage of his crop he sells. The balance must be withheld from the market, or you will still have an oversupply. We feel that we should now have control of freezers and canners if we are to do a complete job of being able to control our market ourselves. This past season we of the Oregon, California Marketing Order, because of the USDA report showing approximately 8 million hundredweight over production, removed from human consumption our low quality potatoes from the market. We as growers were able to show a profit on our production which the USDA said would be a disaster for potato producers. They recommend we ask for a diversion program which would cost many government dollars. We controlled our volume with the marketing order with no government help needed. This assists producers in bargaining in a fair manner. We believe all types of processors should be on a fair, equal and competitive base. To buy their raw products at a price level which growers of this product can make a legitimate profit. But we feel it would be wrong to place dehydrating processors in a position which would allow him to steal his raw products from the producer. Therefore, we the potato growers of Oregon and this nation, ask you to please defeat this legislation and pass legislation which would put canners and freezers under the control of the federal marketing order. This would then make all of them on a fair, equal and competitive base.

Mr. NICHOLAS. Why do processors want out from under the control of the act? Not because of lack of quality potatoes to use in processing, but because they want to use that potato that has been removed from the market because it is of such poor quality it cannot be shipped to the market by fresh shippers or because either the marketing order has taken it off because of quality or the order is trying to control the volume of potatoes which go to the market.

I gathered up some potatoes here in Washington, and was unable to get, in fact, what I really wanted, because these are not white potatoes and are shipped from somewhere other than our area. They are not from a marketing order area.

These are what I would class as B size potatoes. This is what processors buy. I think we should look at these. These are a cheap potato. You have no control over them in most areas. They can process everything, and under a marketing order it can be removed.

This, in turn, ends up in the grocer's store in little boxes marked U.S. No. 1 potato, and they go against your good fresh potato.

Now these are red potatoes—they could be dyed I think. They have dyed potatoes, and housewives here on the streets of Washington have been fooled. They think they are red potatoes, but they are white, dyed red.

This is an Idaho potato.

It is impossible to sell 100 percent of a crop each year. We would like to get a profit from them. We would like to get a profit from the production of the percentage of the crop that we do sell, and make it a profitable picture, and if we allow a 100-percent total to go to the market, which most generally happens, we can have a legitimate price for our crop only when our crop is short.

I, as a producer, found that I could not make enough money, considering the support of my family and everything, growing only. I had to get into the shipping end of the business. I was able to stay in the growing business this way. This is the type of business that I am now in.

Senator HOLLAND. You are still a producer, but you are also a shipper?

Mr. NICHOLS. I now have the position of being a shipper as well as a producer.

Now, there is a potato, that when it is this size it is called a stripper. They are available to the housewife in the 10-pound bags. They are generally sold all throughout the Nation. We have an overabundance of them. Last year they sold for about 50 percent of the price of the better potato, and even lower than that at times, but they were sold to the housewife at high prices because the market could sell them to her.

Because we had an overabundance of the 10-pound bag, it was selling as low as \$2 a hundredweight.

We had an oversupply of those, and that is why we took these little potatoes off and asked the processor in California to use the strippers. It was available to him. You could take 50 cents off the 10-pound bag prices because they can use them in the 100 bag and it would cost them less than \$2 per hundredweight.

The State of Washington grower was selling them at 10 cents a ton to processors because the marketing order had not taken them off because the marketing order was then controlled by the processors, and they want this merchandise at 10 cents a ton, which is a steal in anybody's market.

Senator CURTIS. Is the smaller potato a poorer quality potato?

Mr. NICHOLS. No, it is not, but it is not desirable on the fresh market to the housewife. The housewife does not like to peel a smaller potato, and that is why we took it off. We took it off because it was small and would bring little money not because of the quality.

Senator CURTIS. As far as you know, it has the same nutrition?

Mr. NICHOLS. I am sure it has.

Senator CURTIS. Well, these were actually selling for 10 cents a ton? Mr. NICHOLS. In the State of Washington they were. Many of them were purchased at 10 cents a ton from growers and then processed.

Senator CURTIS. By whom?

Mr. NICHOLS. By processors.

A VOICE. May I rebut that, please?

Senator HOLLAND. We are on controlled time.

Mr. NICHOLS. In Washington the price was 10 cents a ton.

Senator HOLLAND. Your time is up.

Senator CURTIS. I would just like to know who bought them at 10 cents a ton and who sold them.

Mr. NICHOLS. Growers in the State of Washington sold at 10 cents a ton. They had no control over it and this was moved at this price.

Senator CURTIS. You may be right, but I want to know who would sell them for this price. Can you give the names for the record at a later time before the record is closed of who sold the potatoes and to whom. Give me the name of a buyer and a seller of the potatoes for 10 cents a ton.

Mr. NICHOLS. I will.

(The information is as follows:)

The names of the firms who offered 10¢ per ton in their contracts with growers for culls (irregular-sized large potatoes, and those under 1½" minimum sizes—all usable potatoes) are as follows:

Prosser Packing, Inc., Prosser, Wash.; Pronto Foods, Inc., Moses Lake, Wash.; Lamb-Weston, Quincy, Wash.

All farmers who had contracts with the firms sold at this price. Others sold on the open market.

(Additional information filed for the record is as follows:)

QUINCY, WASH., June 12, 1969.

Senator HOLLAND,

Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Old Senate Office Building, Washington, D.C.:

I am Amos Hayes, NFO member of Amos Hayes and son, potato growers. Sold my potatoes to Lamb and Weston in 1968. On Norgolds they paid be \$19.00 per ton across the board for No. 1's and No. 2's, and ten cents a ton for processors grade (culls). *Make this a part of the Congressional Record* as per request of Mrs. Voss testifying on S. 2144 and H.R. 11243.

AMOS HAYES.

(NOTE.—Telegrams similar to the above were received from 18 other growers in Washington, Oregon, Idaho, and Colorado, and are on file with the Committee.)

TULELAKE, CALIF., June 11, 1969.

Hon. SPESSARD L. HOLLAND,

Chairman, Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.:

Oppose H.R. 11243 and S. 2214 and be advised that our B grade and cull potatoes have averaged for 8 years approximately 5 to 10 percent of production cost. These two bills will kill the potato farmer for sure.

WAYNE HOLBROOK.

(NOTE.—Telegrams similar to the above were received from 25 other growers in California and Oregon, and are on file with the Committee.)

ANTHONY, IDAHO, June 13, 1969.

Senator SPESSARD L. HOLLAND,
Old Senate Building, Washington, D.C.:

I am definitely opposed to S. 2214. If allowed, the potato grower loses his bargaining power with the processor. It will be the end of the fresh shipper in Idaho and a catastrophe for the grower. If a potato is a cull and unfit for human consumption to the farmer, it should also be for the processor. Help us if you can.

MAX E. OTOSEN.

(NOTE.—Telegrams similar to the above were received from 53 other growers in Idaho, California, Washington, Oregon, Colorado, North Dakota, Maine, and Texas, and are on file with the Committee.)

Senator HOLLAND. You mean 10 cents a ton or 10 cents a hundred-weight?

Mr. NICHOLS. 10 cents a hundredweight in Idaho. In Washington it is 10 cents a ton.

Senator HOLLAND. Your time is up.

There is one other witness here. Mr. Rolland Jones.

STATEMENT OF ROLLAND JONES, RUPERT, IDAHO

Mr. JONES. My name is Rolland Jones. I reside in Rupert, Idaho, where I have grown potatoes for over 20 years. I am presently growing 900 acres of potatoes, operate a potato packing warehouse, and have an interest in a potato flake manufacturing plant in Rupert. I am presently a member of the Idaho Potato Commission, a director of the Idaho Grower Shippers Association, and a former member of the Idaho & Eastern Oregon Marketing Order Control Committee. I am strongly in favor of S. 2214 because the Marketing Order Act of 1937, as amended, discriminates against growers who produce potatoes for dehydration. There is presently an active movement in Idaho to amend our marketing order so that potato supplies for dehydration can be controlled. Many of my neighbors grow potatoes for freezing and are exempt from marketing order control. Because dehydration is a means of preserving food, just as is freezing, I strongly urge this committee to favorably consider H.R. 11243 and S. 2114 so that I can operate on an equal footing with my fellow growers in Idaho.

I should also like to point out that only certain potato growing areas are subject to marketing order regulations. My potato growing and processing operations are designed to support the manufacture of potato flakes. My potato flakes are in direct competition with flakes produced in the Red River Valley, Maine, Michigan, Washington, Colorado, or any other area where sufficient potatoes are produced to support a flake plant. A local marketing order which could restrict my supply of potatoes for flake manufacture could place me in an impossible competitive situation with other potato producing areas, as well as with other types of foods which consumers have available to them.

The potato industry has grown rapidly and prospered since the advent of processing during the fifties. Growers who have operated an efficient growing operation have prospered also. All of this has been accomplished without marketing order controls on dehydration. The potato industry will continue to prosper if given the freedom and the competitive equality which is essential to free enterprise.

I would like to point out that in Idaho approximately 50 percent of the potatoes grown are subject to market order—B-1's and B-2's—the balance going to the processors, under what we call a processor's grade.

Nowhere in my memory can I think of 10 cents a ton or 10 cents even a hundredweight. This year the processor paid from 90 cents to \$1.90 on delivery. That is delivered at—and the grade has been met, just like the 1 and 2 grade. Since the events of processing in Idaho have gone about, our production has almost increased 50 percent.

I would like to make a statement about 10 cents a ton. I am not from the State of Washington, but I understand this, that from conversations with people that are in the business there, that apparently there is a law in the State of Washington that you have to pay something for the potatoes. The potatoes they are talking about are the rot and the green that is taken out of the field run potatoes.

Senator HOLLAND. What are they used for?

Mr. JONES. They are probably used—nothing that I can think of that would be worth anything, unless it might be sold at salvage as cattle food, but in the processing industry they would be worthless.

Senator HOLLAND. Has there been any considerable volume of sale at that price?

Mr. JONES. I would doubt it very much, but I could not say for sure.

Senator HOLLAND. Well, now, thank you very much.

Senator CURTIS. Are you primarily a potato processor and warehouse or primarily a potato grower?

Mr. JONES. We make most of our income from growing.

Senator CURTIS. Growing?

Mr. JONES. We also ship.

Senator CURTIS. Well, I am not clear, and it may be a point that is important. We started this hearing this morning talking about U.S. No. 1 size B potatoes. Do you know of any U.S. No. 1 size B potatoes sold for 10 cents a ton?

Mr. JONES. Not in our State.

Senator CURTIS. But there would be in some place?

Mr. JONES. I have no knowledge of it. I cannot imagine it being so, but I have no knowledge of it.

The No. 1 size B potatoes are regulated in our State under the marketing order. We do not ship them out.

Senator CURTIS. That is all we have.

Senator HOLLAND. Now, gentlemen, thank you for your cooperation. I am sorry we cannot hear all of you. I invite all of you who have not had a chance to be heard to please submit your statements to the officers of the committee. There are three members of the staff here. You can talk to them and straighten it out with them.

(The statements are as follows:)

STATEMENT OF F. W. "BILL" BERGESON, MANAGER, POTATO PROCESSORS OF IDAHO ASSOCIATION, POCATELLO, IDAHO

I'd like to commend the members of this Committee for your willingness to hear all aspects of this important legislative proposal. Having served two terms in the Idaho Senate, I'm somewhat aware that your task in evaluating the many problems coming before your Committee is not easy.

Having owned and operated a potato farm, I'm also aware of problems facing the potato grower, and I fully understand their concern and their sincere interest in finding long term solutions to their potato marketing problems.

I sometimes think, in our anxiety to find immediate answers, we have a tendency to discount the consumer demands wherein lies our long term solution. To be more specific, the potato processing industry is now tapping an entirely new potato market which can solve our long range potato marketing problem. Short range objectives can kill a budding solution in its infancy.

I do appreciate this opportunity to speak briefly in behalf of the Potato Processors of Idaho, who today are processing better than 65% of all the raw potatoes produced in Idaho. In as much as this Association processes more than the raw product total in any other state, it is one of the largest single voices in the national potato industry.

In addition to my brief remarks, I've distributed a brochure about the Idaho potato processing industry, a copy of economic facts about potato processing and the processor's analysis as to why HR 11243 and S 2214 are vitally needed in order to place the dehydration industry in an equal competitive position with other segments of the potato industry.

The potato processors of Idaho strongly feel that the prepared amendment to the Agricultural Marketing Act of 1937, is essential to correct a current legislative oversight. The original Act exempted canning because it was then the only major method of preserving food. In 1946, freezing had become a major factor in the preservation of food. Therefore, Congress amended the law to give freezing the same exemption from marketing orders. During the past ten years, dehydration has increased 500% and has now become a major method of preserving food. Now, it is only logical to amend the law to keep it up to date with the progress of the industry.

The brochure shows how a regional marketing order can be used as an economic weapon against isolated dehydrators competing for the nationwide market. Without realizing it, the Marketing Order Control Committee can cause a processing plant to close its doors, and the results of the action defeat the very purpose of the law. Also, the Marketing Order discriminates against the dehydrator who must compete against the canner and freezer.

Although the Association of Potato Processors in Idaho includes companies which have the advantage of being exempt from the Act because of their status as a freezer or canner, the Association is unanimous in its endorsement of HR 11243 and S 2214.

(A supplemental statement filed by Mr. Bergeson is as follows:)

I have already submitted a statement with respect to the above, but wish to file this supplemental statement to make certain that the record is clear in one respect.

There have been various references to "quality" of potatoes for processing, together with references to U.S. Standards for potatoes. It should be made perfectly clear that the Standards are applicable to table use shipments, where size, shape and appearance, in other words eye appeal, are important factors.

Potatoes for processing are of the same quality as potatoes for table use insofar as soundness and edibility are concerned. Quality for processing varies from the standards for table use only insofar as size, shape and appearance are concerned.

A small or misshaped potato which has no eye appeal for table use is just as good as a larger, better shaped potato when it is processed into flakes, granules, shoestrings or chips.

STATEMENT OF ART GREENBERG, GREENBERGS, GRAND FORKS, N. DAK.

Gentlemen, I believe that there has to be a change made to the Agricultural Agreement Act of 1937. As you may note, only canners and freezers are exempt from this marketing order. This was fine in 1937 and 1956, but today it is old-fashioned.

The potato processing industry is growing at a rapid rate and we cannot afford to have this kind of marketing agreements stand in the way of progress. Farmers who grow potatoes for processors understand what processors can use. For example, we grow potatoes, as many farmers do, for the chipping trade. The potatoes are stored at very warm temperatures and tend to go out of condition rapidly.

The chippers have been very good about taking potatoes that were out of grade, as long as they make satisfactory potato chips, and this is a big market

for our area. If this marketing agreement were enacted, we would be barred from shipping these potatoes to our potato chip contract customers. The potatoes would be out of condition so badly that we could not grade them and sell them on the fresh market to meet the marketing order. Most of these potatoes for processing are of a different type than the fresh market demands, which is another hindrance to our types of operations.

So I would appreciate anything you can do to help get this amendment made to the Agricultural Marketing Agreement Act of 1937. I believe it will help bring more processors into the Red River Valley.

STATEMENT OF LEON JONES, PRESIDENT, POTATO GRANULE ASSOCIATION,
SAN FRANCISCO, CALIF.

Mr. Chairman, my name is Leon Jones and I am here today to testify in behalf of the Potato Granule Association. I am President of the Association and our membership comprises 100 percent of the potato granule manufacturers in the United States. My home is in Caldwell, Idaho, where I am President of the Food Products Division of the J. R. Simplot Company. I have been associated with the J. R. Simplot Company since 1942 and have been active in the growth of the potato processing industry since that time. I have served as president of the National Association of Frozen Food Packers and on two occasions as president of the Northwest Cannery and Freezers. I have also served as a Director of the National Cannery Association. In addition, I was one of the founders and have served three times as president of the Frozen Potato Products Institute.

I am here today to testify in support of S 2214. I know that this legislation is in the best interest of the entire potato industry. This includes potato growers, potato processors, people who work in potato processing plants, as well as the consumers of our finished products. This legislation will expand the exemption from marketing orders to exempt all processors of potatoes. This is the same exemption that is presently enjoyed by freezers of potatoes. I feel that one of the reasons that the frozen potato industry has achieved the great growth and success that it enjoys today is because we have not been restricted and controlled by unworkable marketing orders. Frozen french fry plants are located in all the major potato producing areas of the United States. The varieties and grades of potatoes in these different production areas vary widely and as a result the prices paid for potatoes also are subject to considerable variation. Therefore, it is impossible to have a marketing order controlling potatoes going to the freezers in one area that would not place the freezers in another area in either a more favorable or a less favorable raw material position. This is why freezers of potatoes have been exempt from marketing orders. As a result of this exemption, not only the freezers, but also the growers of potatoes for freezing have benefited.

However, Mr. Chairman, dehydration is not exempt from marketing orders, and therefore, the same discrimination that occurred in the potato shoestring industry in which one shoestring manufacturer was placed in an impossible competitive situation by being subject to restrictions that did not apply to their competitors could happen in the potato dehydration industry. It is true that to date there have been no marketing orders applied to dehydration. We merely want to be sure that we will have the freedom in the future to produce potato granules as we have in the past without unnatural and artificial restrictions that would create chaos in our industry.

Therefore, Mr. Chairman, the Potato Granule Association strongly urges the passage of S. 2214 which is supported unanimously by our members.

TESTIMONY OF OLIVER LOVINS, WASHINGTON POTATO COUNCIL,
MOSES LAKE, WASH.

Mr. Chairman, my name is Oliver Lovins and I reside at 831 South Evergreen Drive, Moses Lake, Washington. I wish to thank the Committee for the privilege of appearing today and presenting my testimony.

I have lived in the Columbia Basin for 14 years, and have witnessed the growth and development of the potato industry in our Great State during this period of time from the standpoint of grower, fresh shipper, and processor interests. I have been in the potato business for 25 years.

I am the official representative in this matter for the Washington Potato Association, whose address is Building 2321, Andrews Street, Grant County Airport, Moses Lake, Washington. The Washington Potato Association is a voluntary non-profit corporation operating in the State of Washington for the mutual benefit of its members and the industry. The membership is composed of the great majority of the fresh shippers and processors in the State of Washington, and particularly the Columbia Basin area. Attached to this testimony is a list of the voting membership of the Association.

Many of the fresh shippers and processors are also large growers in the industry.

In the 1968 crop year, Washington produced 24,173,000 cwt of potatoes, according to Government estimates, and 74% of this production was handled by members of this Association.

This Association gives its support to legislation to extend to the potato dehydration and chipping industries the same exemptions under the Agricultural Marketing Agreement Act of 1937, as amended, as is now enjoyed by freezers and canners in our industry. We feel that discrimination now exists against the potato dehydration and chipping industries and can endanger the welfare of those industries. The financial interests of the growers, fresh shippers and processors can best be safeguarded and enhanced by allowing the potato dehydration and chipping industries the same exemptions as exist for freezing and canning.

We feel it is in the best interests of the Consumers of America to be able to buy good wholesome potato products at reasonable prices. Placing restrictions on the potato dehydration and chipping industries will not accomplish this end.

If the potato processing industry is allowed to operate in a free enterprise climate, it will develop new wholesome food products; find new markets, and expand the economic benefits of the industry to the consumers, growers, shippers and processors alike.

WASHINGTON STATE POTATO ASSOCIATION MEMBERSHIP LIST

American Potato Company	Lovins Produce Inc.
Anderson Feed & Produce Co.	McGeorge Produce Co.
Andrus-Roberts Produce Co.	Mojonnier & Sons, Inc.
Baker Produce Co.	Norman W. Nelson, Inc.
Balcom & Moe	Pacific Fruit & Produce Co.
Basin Produce	Pomme de Terre, Inc.
Better Taters	Pronto Pacific, Inc.
Blue Ribbon Produce Co.	Quality Growers, Inc.
Bonanza Produce Co.	Quincy Produce Co., Inc.
Chef Reddy Foods, Inc.	R. E. Lewis
Elmer Hansen	Skone & Connors
Forney Fruit & Produce Co.	Spada Distributing Co.
Franklin Growers, Inc.	Sunglor Producers
General Potato & Onion Distributors	Sunspiced, Inc.
Gerry Dodge	Taggares Produce Co.
Golden Produce	Walla Walla Gardeners Association
Gordon Bedlington	Walla Walla Produce Co.
Harry Masto Produce	Western Cold Storage Co.
Lamb-Weston of Washington	Yoshino-Western, Inc.
Livingston Produce Co.	

(A supplemental statement filed by Mr. Lovins is as follows:)

I have already filed a statement with respect to the above, but wish to file this supplemental statement to clarify two matters which were mentioned but not clarified because of lack of time.

First, reference was made to a sale of potatoes for 10 cents per ton. Obviously, this is not a normal commercial transaction. The facts are: potatoes may be bought on a field run basis with different prices named for different grades. A nominal price is named for the purely waste material in the field run, which is not edible nor usable except for starch, cattle feed or dumping. A nominal price is merely named for this waste material so that all parts of the field run delivery are covered and transferred. The important factor is not what the grower gets for the waste material but the total he gets for the field run per ton.

Secondly, it was stated by one or more witnesses that the administrative committee under the marketing order in the State of Washington was controlled or dominated by processors. The facts are: the Committee of 15 members is elected by potato growers. The 1968-1969 Committee consisted of 15 members of which 10 members were strictly and exclusively growers and 5 members were fresh shippers and/or growers. There were no processors on the Committee. The implication that the Committee members were processor-controlled is negated by the fact that they were elected by the growers to represent the growers.

STATEMENT OF ALBERT E. MERCKER, EXECUTIVE SECRETARY, VEGETABLE GROWERS ASSOCIATION OF AMERICA

I want to thank the Committee for the opportunity to appear before you in connection with S. 2214. My name is Albert E. Mercker and since 1965 I have been Executive Secretary of the Vegetable Growers Association of America.

The Vegetable Growers Association of America takes exception to this Bill as it would preclude potatoes for dehydration and other processing, from being included under regulations by Marketing Orders. During the 1930's Marketing Orders were in effect for many commodities for a crop year. However, after World War II Marketing Orders were again adopted by many of the potato producing areas. The Orders have been very helpful in bringing producers in all segments of the industry together and that is hard to come by.

Vegetable and potato growers must be alert and efficient businessmen. They must know chemistry, physics, genetics and mathematics and must be plant nutrient experts. Not only that, but they must be well versed in many other fields, including marketing policies and crop production. Their individual and collective investment is now tremendous. Because they are more alert businessmen they have worked under Marketing Orders in these many areas. For instance, in Idaho they have operated continuously under a Marketing Order since August 6, 1948.

Per capita potato consumption decreased, reaching a low of 102 lbs. per person in 1956. We must give the processor credit for during and after World War II they learned how to process a good product, so that per capita consumption is now estimated at about 112 lbs. per person. Consumption of potatoes in the fresh form, however, declined to 64 lbs. per person and increased to 48 lbs. per person in the processed form, which resulted in an increase of 55.8 million CWT in total consumption or about one-third more than was used for food in 1956.

Marketing Orders have taught growers, handlers and processors to work together keeping in mind their own interests, needs and responsibilities of all concerned so that they developed a close relationship and generally have worked in harmony, discussing their mutual problems and formulating a policy whereby the marketing of their product would meet the consumptive requirements. This has been most worthwhile and helpful.

I am sure the processors want good potatoes but to restrict the authority of the Marketing Orders Committee through this legislation would merely result in harm to the industry as a whole and may break up the harmonious relationship that exists. This, in turn, may bring about price chiseling between processors to buy the commodity on the basis of lower grades and reduce the price to the producer, resulting in a reduction of his income from potatoes. This would be most harmful to the industry as a whole for we have seen chiselers in many areas use the ammunition of the producer to conduct his own warfare and result in lowered incomes for the product.

Vegetable crops, including potatoes and sweet potatoes, are not price supported.

At its February 1969 meeting the Vegetable Growers Association of America unanimously adopted its Resolution No. 17 entitled "Marketing Agreements," which reads as follows:

"With an increasing interest in marketing agreements, and where it appears that a considerable segment of the growers of any given commodity in a homogeneous producing area desire the adoption of such an agreement, this Association will make available its staff and facilities in affording information and assistance to the local state member associations in establishing the proper contacts and procedures with the U.S. Department of Agriculture. We

believe these marketing agreements should be confined to local, state, or compact regional producing areas of the specific commodity only".

For these reasons the Vegetable Growers Association of America strongly disapproves of S. 2214. This Bill, as well as House Bill H.R. 11243, is contrary to the policies adopted by the 90th Congress, which has passed legislation to strengthen the bargaining power of growers, as set forth in Public Law No. 90-288, 90th Congress, S. 109, April 16, 1968, To Prohibit Unfair Trade Practices Affecting Producers of Agricultural Products, and for other purposes.

In addition, many bills have been introduced in the 91st Congress to strengthen the legislation previously enacted and it is difficult to understand what the purpose can be to have legislation enacted that would have a counter-effect on already enacted legislation.

Under a Marketing Order or a controlled program it is impractical to control one segment, namely the fresh product, without controlling all segments, including the processed product. The programs can only be successful if the regulations under the Order are administered with equal justice to each segment. The Congress has fully supported this type of program under Public Law No. 288, which requires government administration and which promotes equality. This Bill precludes growers from assuming regulatory functions which necessarily is the responsibility of the Government. On the other hand, if you take out all processing it would be contrary to the ideas set up under Public Law No. 288 to prohibit unfair trade practices brought about by price cutting and unfair competition between growers and handlers selling to the fresh market or to the processing segment.

When Marketing Orders were first initiated most of the fresh market vegetables and other farm products were sold in the fresh form. Processing was generally much removed from the general procedures and the marketing of fresh products. Things have changed whereby per capita consumption of the fresh products has declined while the per capita consumption of the processed vegetables has increased.

In conclusion it appears that revamping of the marketing order laws should be carefully studied and changed to bring them up to date to meet the important changes mentioned above.

The Vegetable Growers Association of America opposes this Bill but would work with the Committee in setting up much needed marketing procedure. It is impractical to let one segment of an industry carry the load, particularly when competing in the market place.

Thank you, gentlemen, for your time and attention.

STATEMENT OF JOHN MOOERS, PRESIDENT, MAINE POTATO COUNCIL, HOULTON, MAINE

My name is John Mooers. I live in Houlton, Maine. I am President of the Maine Potato Council and I am appearing here today on behalf of this organization.

The Agricultural Marketing Agreement Act of 1937 as amended was established to provide the farmers with the tools with which to control the quality and movement of their crop going to market.

Marketing Orders were in effect for many years in Maine but a set of circumstances developed which caused the farmers to become dissatisfied with the Order and it was removed. Part of that dissatisfaction stemmed from the fact that the canning and freezing exemption existed and these outlets could not be regulated.

In the Declaration of Policy of the Act it states that the policy shall be to assist the farmers to get a fair price for their product and to protect the interest of the consumer. This legislation would be in direct conflict with that policy. How can farmers get a fair price if they are denied the right to regulate the quality of the product they sell? How can a Marketing Order protect the interest of the consumer if it is deprived of the right to regulate the quality of raw product that goes into the processed product that the consumer will buy?

Processors want to use culls and other low grades of potatoes because they can get them for practically nothing. These low grades often include rotten, damaged and otherwise unusable potatoes, but by the time they are put through the process they have changed form. The unsuspecting consumer buys a finished product that she would refuse to buy if she could see the raw product that it was made from.

The fresh potato industry of this country is already in trouble. The quality of the potatoes found in retail stores is driving the consumer to other foods. Yet if this Bill becomes law we will see all Marketing Orders for potatoes voted out by the farmers and the quality of fresh potatoes can be expected to deteriorate even more.

We cannot argue the unfairness of some processors being under Orders and others being out. There is some inequality involved, but the answer to this problem is to remove all exemptions. Give the farmer back the whole package. Remove the canning-freezing exemption and help the farmer to help himself.

You can rest assured the farmers will not do anything under an Order that will hurt their market; they would be foolish to destroy a legitimate market for potatoes.

I strongly urge that this legislation, which would destroy Marketing Orders for potatoes, be killed and serious consideration be given to the removal of the canning-freezing exemptions.

(A supplemental statement filed by Mr. Mooers is as follows:)

Responsible potato growers in my state know and understand the value of Marketing Orders as a self-help tool. They also know that whatever steps are taken to improve their quality through use of Marketing Orders will make that many more potatoes available to the processor at starch factory prices. When potatoes go to the starch factory they are removed from the competitive stream; when the processor gets them, the grower finds himself in an unenviable position of helping to put himself out of the fresh business. He realizes that the only real hedge he has from total captivity is the fresh market.

Harvesting and storage costs alone will run close to eighty cents per barrel. For processors to be able to obtain a considerable portion of their raw product continually for half this amount seems to border on the ridiculous.

I feel that the proponents of this bill have drawn some convincing conclusions from questionable premises.

If this Bill, S. 2214, was to pass, it would only aggravate an imperfection, not cure it. At the rate growers are going broke in my area, I don't see how they can be expected to subsidize processors.

STATEMENT OF FRANCIS X. RICE, POTATO CHIP INSTITUTE INTERNATIONAL,
HANOVER, PA.

My name is Francis X. Rice and I am the President and Treasurer of the Utz Potato Chip Co., Inc. of Hanover, Pennsylvania.

I am the President of the Potato Chip Institute International on whose behalf I am making this statement, to submit its views with respect to S. 2214. This is a bill to exempt potatoes for processing from the provisions of the Agricultural Marketing Agreement Act of 1937, as amended.

The Potato Chip Institute International is a trade association of manufacturers of potato chips and includes in its membership the producers of approximately 90% to 95% of the entire production of potato chips in this country.

The importance of the potato chip industry in the use of potatoes is demonstrated by the Irish Potato Utilization Report issued September 10, 1968 by the Statistical Reporting Service of the United States Department of Agriculture, which shows that in the fiscal year July 1, 1967 to June 30, 1968, potato chips used 32,454,000 cwt. of potatoes.

Under these circumstances, no argument is necessary to demonstrate that the potato chip industry constitutes a large and important outlet to growers for their potato crops.

The potato chip industry competes with dehydrators, freezers and to some extent with canners and other processors in purchasing potatoes from growers. As the law now stands, potatoes for canning and freezing are exempt from marketing order controls, but potatoes for chipping and other processing are not exempt. This is discriminatory against potato chip manufacturers and processors other than canners and freezers.

Under marketing orders, sizes which chippers can buy may be restricted, without such restrictions being applicable to canners and freezers. Size restrictions are unduly burdensome. Potato chips, particularly for the smaller packages, may be made from potatoes as small as 1½ inches in diameter. In fact, for small packages such as those that go in a school child's lunch box, chips made from the

smaller potatoes are more practical and desirable. Assuming the potatoes to be of equal quality in their raw state, the smaller potato will make just as good potato chips as the larger potato. But size restrictions under a marketing order may prevent these smaller potatoes from being available.

Further, under marketing orders, incoming raw potatoes purchased by chippers will be subjected to compulsory inspection. This causes undue delays in shipments since chip suppliers are frequently not in concentrated production areas and the availability of inspectors is somewhat uncertain.

Inspection serves little or no purpose as far as potatoes for chips are concerned. Size may be determined by inspection, but as already pointed out, potatoes as small as $1\frac{1}{8}$ inches should be permitted to be used. Inspection for quality is essentially meaningless. The appearance of the potato is completely unimportant for chipping, although it might be important for potatoes for table use. Quality for chipping cannot be determined by visual inspection, since quality for chipping is largely dependent on storage conditions and storage temperatures, rather than on any condition visually apparent.

Further, it is quite apparent that increased costs to chippers may well have to be passed on to consumers. Costs of the control of potatoes for chipping, costs of delays and inspections and possible increases in cost due to prohibition of the use of certain sizes, might necessitate increased prices to consumers.

Therefore, because of the fact that the proposed legislation removes the discrimination between chippers on the one hand and canners and freezers on the other and for the reasons already stated, the Potato Chip Institute International supports the proposed amendment.

STATEMENT OF J. "BUDD" TIBERT, L. E. TIBERT CO., VOSS, N. DAK.

Gentlemen, we are certified potato growers, located at Voss, North Dakota. We grow approximately 800 Acres of Seed Potatoes each year. A large percent of our seed sales are to growers who grow for the processing industry.

If the marketing order of 1937 with the amendment of 1956 were enacted this could cause many of our customers to go out of business. I would appreciate all the consideration that you gentlemen can give to the proposed amendment to the marketing order of 1937 so that it would exempt all processors.

STATEMENT OF MRS. RAY VOSS, PASCO, WASH.

Honorable members of the Senate and distinguished guests, I am Mrs. Ray Voss, speaking against S. 2214, which would remove the Federal Marketing Order on potatoes.

My husband and I, together with our family, farm 500 acres of land in the South end of the Columbia Basin Project, Franklin County, in the State of Washington. This year we are raising 300 acres of potatoes, 29 acres of wheat and the remainder is in alfalfa hay.

We were among the first settlers in Block 16, and have developed all our land from sage brush. In the last twelve years on the farm our children have become teenagers; and do you know, not one of them could manage to become a full fledged "hippie", although they do consider themselves to be fully in the mainstream of life.

The cool early mornings raking hay, the discipline instilled by the frustration of mowing first cutting hay, the experience of driving truck under a potato combine, all seem to have had an indelible effect. As a result, our children have a confidence and a knowledge of themselves that their friends in town very much admire.

We value our life just the way it is and we value our position in the community as independent business people.

The only problem is that we lost \$40,000 last year in our operation due to low prices. We sold our early norgold potatoes to one of the largest chains in the United States, for 1¢ per pound. These beautiful potatoes were eventually sold at the supermarkets for never less than 6¢ per pound for the small ones called "strippers" in the trade, at 59¢ for a 10# bag. Bakers would have cost the housewife in the neighborhood of 10¢ per pound.

If we had had our State Marketing Order activated to remove cull potatoes from human consumption, and had removed the 4 to 8 ounce potatoes, which are

the "strippers" from the fresh market, I am sure we could have been able to get 3¢ per pound for the 75% majority of our production which would have remained on the fresh market. Had that been the case, Ray Voss and I would not have had to take out another mortgage with Prudential Insurance Company in order to pay our production loan deficit with the Production Credit Association.

Federal and State Marketing Orders are very effective tools for growers to use to regulate quality and quantity in the potato market.

At the time we were being paid 1¢ per pound for our Norgolds, the processors in our State were buying our cull potatoes from our fresh packers to supply their dehydrating plants.

It is common in our area for the integrated grower-shipper-processor to raise very large acreages. He then runs a fresh line which "creams" off the best potatoes, running his dehydrating plant on culls and his own strippers. In cases we know of, where corporations and integrates grow their own, they get a very large percentage of off grade potatoes. If they don't raise them, they buy them from fresh packing sheds which do not run their own dehydrating plants.

In any case, the processor is using our culls, and his against us in the market place. The grower has ten to 20 per cent of his total production cost in these culls, and in Washington State last year he was paid about 10¢ per ton for them.

Taking into account the weight loss for dehydration, these potatoes eventually sold for from 7¢ to 20¢ per pound as a processed product, which competed directly with the quality graded potatoes in the "fresh" stand—the one the farmer got paid for.

The processor was not nearly as worried about depressing the fresh market as was the independent farmer. The integrate was getting a far better price in wholesaling a packaged product from his fresh line; and he had a bonanza in processing free culls. He could also get rid of his strippers in his processing plant.

The grower-shipper-dehydrator can usually wait out a poor market, where the individual farmer is being pressured by his banker and creditors to dump, and recover at least a part of his cost.

We need a Federal Marketing Order which would apply to all processors, including freezers and canners. It could be activated State by State, according to a vote of all participating growers, to remove a certain percentage of off grade potatoes from the market. We could remove all culls from human consumption (A cull is defined by the U.S.D.A. standards). Growers, through the Marketing Order could decide to open their digger chains and leave the "marbles" on the ground at digging time. Processors then could buy strippers at market price from the fresh sheds; thereby stabilizing our potato industry.

The consumer would be getting a quality product and it would not cost the taxpayer a dime—or even a penny.

For the price the consumer pays, I think she deserves to get good potatoes.

We independent growers feel that Federal and State Marketing Orders are an indispensable tool to maintain quality for the consumer and equality for the grower. The independent farmer cannot provide the processing industry with its raw product free of charge, and continue in business to provide the housewife with the quality potato she desires.

Independent commercial family farms can produce this quality better and cheaper than corporations with multi-thousand acre tracts. You know, at a critical time, the difference in one or two days watering can ruin the quality of a crop. In irrigated areas, management is so crucial as to verge on the impossible, unless, of course, you aren't worried because you know you can get a price for your junk, running it through your own plant.

I think the comparative experience of Russia and the United States in farming should have shown us that a family, loving their own land, can produce a miracle. Disinterested farm workers and highly paid managers cannot.

The miracle of production and quality accomplished by farmers farming their own land deserves protection for its service to our United States of America.

I sincerely hope that the Congress will cast a vote to save the commercial family farm by voting to save our Federal Marketing Order for potatoes.

(A supplemental statement filed by Mrs. Voss is as follows:)

As a housewife who buys her potatoes at the supermarket, I must argue to say that all potatoes compete with each other. By putting culls in a more marketable form processors are committing a real hardship on the grower in his quest for a decent price. Since 42% of potatoes retail in other than fresh form, this has to be a fact.

I would be sure that, through the Marketing Order, farmers would vote to sell all usable potatoes, should that condition ever exist where the U.S.D.A. did not publish a statement of over production.

As to the supposed waste incurred in removing part of our product from human consumption, I must say that we deplore waste. But we want to stay in business. If we could manage to abandon our crops when they need us, this hearing would be full of farmers saying the same thing that I, a farmer's wife, came to Washington to say. Anytime farmers could get paid a fair price for their whole product, they would not think of leaving any of it on the ground. And as soon as it can possibly be managed, the American farmer's surplus will be given, by the farmers, to the poor of the world.

I would like to remind the Congress that, under a Federal Marketing Order, we farmers would still be bound by the decisions of the Secretary of Agriculture, Clifford Hardin, who is a fair man. There is no reason to believe the farmer will charge more to grow food than would the corporations which will replace us when we are forced out of business by poor prices.

Because farmers have not availed themselves of their Federal Marketing Order tool does not mean that they will not use it, or that the need does not exist. Keeping the Marketing Order will make it possible to market at a price, and will remove the bug-a-boo of over production, which sets the price for all potatoes regardless of grade. The country needs our potatoes, and with communication between growers of all areas, no grower need worry about a processor going around him to buy because of his Marketing Order. Growers of Washington, Oregon and Idaho are in the process of cooperating in the marketing of each other's potatoes at this time.

Transportation is not such an important item to either buyer or grower when the price is at 2¢ or more per pound. A \$2.00 bag (100 pounds) of potatoes will ship from Washington to Idaho for about 40¢ or less.

I believe we should also have equality for buyers in the potato industry. When the intent of a Marketing Order is to bring stability to the farmer, the consumer, and the buyer, why should there be exceptions? The only fair way is to cover all buyers and all farmers.

The conditions of sale, i.e., the matter of selling "scoop-up" or 100% of the product in a chipping area could be provided for on a regional basis, removing potatoes from the market by mechanical sizing. Particular problems could be worked out from region to region within the Federal Marketing Order. A Federal Order may contain identical, as well as individual, rules from area to area. In their wisdom, the originators of the Order provided for this.

In this hearing, we are talking about the whole potato industry and I believe the isolated instance of the Pic-Nic Company confuses the issue. We are considering abolishing a Marketing Order in any effective form. This affects all the growers in the nation, and indirectly, all the buyers.

People I know personally in the Red River Valley, in the Yakima Valley, and the Columbia Basin in Washington have signed pre-season contracts for about 1¢ per pound, as a normal price. I know these people must do better in order to stay in business and regardless of the convenience of the processors, we must keep our Federal Marketing Order as it is, and expand it if possible. Farmers cannot afford for the processor to stabilize his business by writing pre-season contracts at less than the farmer's cost of production.

The situation existing in Washington State now, with an inactive Marketing Order, is forcing growers to sign these contracts because of the uncertainty created by an open market that cannot deal with its surplus. In many cases these farmer's bankers will not loan on anything but a contract, any kind of contract. Only with absolute record-breaking production and perfect management can a farmer hope to pay his bills.

On the average, in the major producing areas of the U.S., the National Farmer's Organization has determined that farmers have at least 1.7¢ per pound in their costs. Washington State's costs (roughly, in round figures) are:

Seed	\$100
Fertilizer and insecticides.....	100
Watering costs.....	100
Interest (\$1,000 real estate and op. @ 7.5).....	75
Harvest	100
Tilling and planting.....	25
Total	500

Seventeen ton average production @ \$25.00 per ton equals a net loss of \$75.00 per acre.

As a Washington grower I would like to explain that our Marketing Order is not doing the growers any good at the moment because the committee has been processor-oriented. There are reasons for these things, but I would not venture to guess why our old committeemen, with one exception, refused to act according to the farmers wishes last summer to remove culls from human consumption. Growers have elected two new members to the committee this year and plan for our Marketing Order to do some good as soon as the farmer's interests can regain their position on the committee.

The Idaho independent farmers have tried to activate their Order to regulate within the State but have met with such fierce opposition from the dehydrators that the movement was defeated. I understand from Mr. Kent Remington of St. Anthony, Idaho, that they are prepared to try again. I am sure they will gain their objective if given time. Maine and the Red River Valley are also working to activate their Orders in order to cooperate with other producers in the nation.

Our farmers are in a much more depressed condition than they have ever been, expressed as debt and a lack of profit. Untrammelled free enterprise in the matter of processors buying potatoes from independent growers will put a majority of family commercial farms out of the potato business.

Thank you very much, gentlemen.

SENATOR HOLLAND. I am very sorry. I am 30 minutes late for an appointment that I had at 12 o'clock. I barely have time to grab lunch. I have a hearing with my Public Works and Appropriations Committees. I have to preside over that this afternoon. I trust you understand our situation.

You are invited to submit your statements for the record, and that is the best that we can do at this time.

The hearing is adjourned.

Thank you, gentlemen.

(Whereupon, at 12:30 p.m., the hearing in the above-entitled matter was adjourned.)

(Additional statements filed for the record are as follows:)

STATEMENT OF HON. MARK O. HATFIELD, A U.S. SENATOR
FROM THE STATE OF OREGON

A casual study of the prices paid to Oregon farmers for their potato production and the conditions under which they are sold will convince any objective observer that the returns received by the producers are extremely inadequate.

Among the price depressing provisions are:

1. Culls—10¢ per ton delivered to plant. (Culls are usable potatoes not graded No. 1 or No. 2.) Delivery costs from \$1.25 per ton up.
2. Delayed payment by as much as 135 days after delivery.
3. Requirement that No. 2 potatoes for processing contain 50% No. 1 potatoes.
4. Tonnage computed by cubic measurement, minimum dirt dockage of 3%, 15% dirt and cull dockage, and 10% shrink applied to estimated tonnage. (A total automatic dockage of 28%.)
5. Requiring delivery of field run potatoes including the culls even though these are paid for at a minimum price of 10¢ per ton. Some pay 10¢ per hundred-weight.

It is obvious that growers must have the assistance which market orders provide in improving their prices and income. The action in 1968 for removing the exemptions from market orders of potatoes being canned after being cooked—which created the legislative proposal in S. 2214—is consistent with such need for assistance.

The suggestion that all potatoes used for processing be exempted from market orders simply makes market orders useless and leaves the producer exposed to market forces over which he has no control. No producer should be forced to give away a substantial part of his crop in order to sell the rest at a minimum price. This is the situation which now prevails and it would be intensified if this legislation were to become law.

Therefore, permit me to express to the Committee my opposition to this proposal by this statement and the following correspondence. It is hoped that the committee action will be unfavorable.

(The attachments are as follows:)

MADRAS, OREG., June 4, 1969.

Senator MARK O. HATFIELD,
Senate Office Building, Washington, D.C.

DEAR SIR: Please be advised that the undersigned are totally opposed to recent legislation introduced to amend marketing order to exclude potato processors from control. If anything is done those parties now excluded should be included as are the rest concerned. We feel this is one of the few workable tools available for farmers to obtain a fair price for their potatoes by controlling what is placed on the market.

Wesley R. Graves, Jerry Drazil, Louis Olson, Lee Williams, Garth Bowman, Walter Bliven, Clarence Vanorsow, Glen Eidemiller, Jr., Lloyd Houts, Lynn C. Hyder, Charles Kissler, J. J. Quinn, Mel Lewis, O. S. Terry, Wm. B. Green, Lalda Roff, John E. Campbell, Wayne M. Campbell, Allen L. Clowers, Vernon L. Wodcock.

REDMOND, OREG., June 3, 1969.

Hon. MARK O. HATFIELD,
U.S. Senate, Washington, D.C.:

For years Oregon-California Potato Committee has served potato industry by setting grade size and maturity requirements. At times committee has set regulations on potatoes moving to processing other than canning or freezing. If bills H.R. 11243 and S.2214 pass, authority to regulate potatoes to processing will no longer exist. Committee feels it would place hardship on progress we have made in orderly marketing. * * *

OREGON-CALIFORNIA POTATO COMMITTEE,
JOHN COULSON, *Chairman*,
ROBERT BEESLEY, *Vice Chairman*.

KLAMATH FALLS, OREG., June 3, 1969.

Hon. MARK O. HATFIELD,
U.S. Senate, Washington, D.C.

DEAR MR. HATFIELD: An attempt is being made through HR 11243, introduced by Representative Don Edwards of California, to weaken Marketing Order Legislation by exempting all processing uses from grade and size regulation.

Marketing Orders are the only tool potato producers have by which periodic surplus production can be managed. It has been the practice to siphon off a fraction of surplus crops by restricting movement to specified minimum grades and sizes, thereby providing consumers with the best quality portion of the crop.

Canning & frezing is presently exempt from marketing order regulation. Other processors now apparently want the same exemption.

From a potato producer standpoint, a more logical procedure would be to eliminate exemption for canners and freezers rather than grant exemption to additional processors.

Agriculture desperately needs bargaining power. Bargaining power cannot be strengthened by granting the exemptions proposed by HR 11243.

Per capital consumption of potatoes in processed forms continues to increase. If these products are worth having, the raw product that is their base must return costs of production to the farmers who produce it.

The processing industry is no longer an infant that requires a raw product at salvage prices. The potato processing industry cannot justify existence based on "sweat shop" prices for the raw potatoes processed.

Exempting potato processors other than canners & freezers farm marketing order regulation would be a step backward, rather than forward, in efforts to improve farm bargaining power.

This Association will appreciate your vigorous opposition to HR 11243.

Yours very truly,

GEORGE RAJNUS,
President, Klamath Potato Growers Association.

WASHINGTON, D.C., June 12, 1969.

HON. SPESSARD L. HOLLAND,

Chairman, Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR HOLLAND: The National Council of Farmer Cooperatives is in opposition to S. 2214, the proposed amendment to Section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, which would further limit eligibility of processing potatoes for federal marketing orders.

Our current policy statement on Marketing Agreements and Orders includes the following: "The National Council favors legislation for the continuation and liberalization of the marketing agreement and order type authority to provide for inclusion of additional commodities under the marketing agreement and order authority, and to specifically provide that fruits and vegetables for processing now excluded may make use of federal marketing orders and agreements whenever such orders or agreements affect the farmer-producer primarily and are approved by a majority of these producers affected. Whenever they regulate the processed product, such orders or agreements become effective only upon the voluntary assent of a majority of the handlers affected, and should be administered jointly by producers and handlers."

We recognize that problems do arise from different treatment for different types of handlers or processors, and endorse the suggestion of the U.S. Department of Agriculture spokesman before your Committee that "An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the Act."

We would appreciate it if you will include this statement as part of the hearing record on S. 2214.

Sincerely,

ROBERT N. HAMPTON,

Director of Marketing and International Trade, National Council of Farmer Cooperatives.

WASHINGTON, D.C., June 12, 1969.

HON. SPESSARD L. HOLLAND,

Chairman, Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Senate Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR HOLLAND: On June 4 we wrote you concerning S. 2214 and asked to file a statement after our Board of Directors had reviewed this legislation at their meeting this week.

This legislation would amend the Agricultural Marketing Agreement Act of 1937 to exempt potatoes for all types of processing from federal marketing orders. Obviously, the legislation has far-reaching implications to all potato growers—whether they produce potatoes for the fresh market or for processing.

Because of this fact the AFBF Board of Directors recommends that the Subcommittee delay action on this bill until potato producers have been given more opportunity to review its effect on them and the marketing order program. The Farm Bureau will make this legislation a subject for consideration by our members in our organization's policy development process during the coming months.

We therefore urge that any action on this legislation be delayed until early next year.

We would appreciate this letter being made a part of the hearing record.

Sincerely yours,

MARVIN L. McLAIN,

Legislative Director, American Farm Bureau Federation.

ORLANDO, FLA., June 4, 1969.

Senator SPESSARD L. HOLLAND,

Chairman, Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Committee on Agriculture and Forestry, Old Senate Office Building, Washington, D.C.:

The Florida Potato Council, a division of the Florida Fruit & Vegetable Association, requests that the record reflect its opposition to S. 2214 which if enacted would exempt all potatoes for processing from Federal marketing orders.

Due to the characteristics of the marketing of fresh Florida potatoes, changes proposed will have a detrimental effect upon marketing by Florida producers in competition with storage products from various sections of the country. For this and other reasons, we strongly oppose such legislation.

JAMES T. DUNCAN,
Florida Fruit & Vegetable Association.

CENTER, COLO., May 28, 1969.

Senator SPESSARD L. HOLLAND,
Chairman Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Washington, D.C.:

We feel you should oppose senate bill S. 2214 as it would be detrimental to the whole potato growing and marketing industry.

JAMES TONSO,
President, San Luis Valley Potato Shippers Association.

MONTE VISTA, COLO., June 6, 1969.

Hon. SPESSARD L. HOLLAND,
Chairman, Subcommittee No. 3 on Agricultural Production, Marketing, and Stabilization of Prices, U.S. Senate, Washington, D.C.

DEAR SENATOR HOLLAND: The San Luis Valley Potato Administrative Committee, which administers both State and Federal Marketing Orders in Colorado, is on record opposing S-2214.

This Committee, elected annually at a duly called meeting of all growers, represents the thinking of 600 potato growers in the San Luis Valley representing 70% of the potato production in Colorado.

Marketing Orders were given to growers to help themselves achieve parity for their crop by self regulation of what can be sold on the market. At the time Marketing Orders were put into effect, canning was given an exemption. In 1946 freezers felt they too needed one. When these exemptions were granted only a very small percent of the potatoes were canned or frozen. Today a large percent is canned and frozen.

We strongly feel instead of granting further exemption to the Agricultural Marketing Act of 1937 you should be eliminating the now present exemptions. To grant further exemptions will surely destroy marketing orders throughout the nation. We feel these orders have been a help to us, but to try and do any job with only one arm is a real handicap and that is what you will be doing if you allow this amendment to pass.

Fifty percent of the potatoes are now processed in one form or another to be able to regulate in years of surplus, which have been quite frequent in the potato business. On the remaining fifty percent then you have surely tied one hand of the potato producer behind his back.

Due to the press of farm work we are unable to send anyone to testify. We do request that you make this letter a part of the Hearing record with reference to the growers position.

Sincerely,

M. B. SMITH,
Manager, San Luis Valley Potato Administrative Committee.

SAN FRANCISCO, CALIF., June 6, 1969.

Senator HOLLAND,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR HOLLAND: It is our understanding that Congress is presently considering a bill to give processors of dehydrated potatoes exemption from provisions of the Agricultural Marketing Order Act of 1937. We are aware that both canned potatoes and frozen potatoes are exempt from the provisions of the Agricultural Marketing Order Act of 1937. If dehydrated potatoes are to continue to be successful in competing with similar products that are canned and frozen, we feel that it is essential that dehydrators be given the same exemption from marketing orders as is presently granted to canners and freezers.

Our company is one of the largest distributors of dehydrated potatoes in the country today, and our area of distribution stretches throughout the whole of the mainland. We are very concerned about the effect that possible potato marketing orders could have on the dehydrated potato business, and we would like to add our support for the proposed new legislation.

Sincerely yours,

D. F. CAMPBELL,
Vice President, Balfour, Guthrie & Co., Ltd.

BOISE, IDAHO, June 5, 1969.

Senator SPESSARD L. HOLLAND,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR HOLLAND: Congress enacted the Agricultural Marketing Act in 1937. Fruits and vegetables for canning were exempt from the provisions of that act. Later, as the freezing process became popular, an amendment was enacted to make it exempt also. Now we have come to a point where dehydrated foods are a factor, and they also should be exempt in order to be on an equal footing with the other forms of vegetable processing.

Seventy per cent of all mashed potatoes served in restaurants and institutions are prepared from dehydrated potatoes, and this market is increasing. Home consumption of dehydrated potatoes is also very large and growing every year.

Under the present law, the potato dehydrator is subject to regional marketing orders and is at a disadvantage with the non-dehydrating potato processor with whom he must compete. The results of this inequity can literally force the dehydrator out of business. As an example: The Pik-Nik Company of San Jose, California, has been producing shoestring potatoes for thirty years using Klamath Basin Area (Oregon) russet potatoes. During the past season, a group of potato growers, hoping to materially increase the price of potatoes, invoked provisions of Marketing Order No. 947 to completely stop shipment of U.S. #1 size "B" potatoes. Subsequently, the USDA ruled that according to the established criteria for canning, the Pik-Nik process could not be subject to the canning, exemption under the existing statute, and thereby, instead of increasing the price of grade "B" potatoes, the potato growers killed their market outlet. *Pik-Nik was forced to close down.* Pik-Nik's major competitors, Durkee, located in New York and HLH in Arkansas, were not subject to Marketing Order No. 947. They continued to purchase potatoes as usual, and proceeded to take Pik-Nik's customers and future.

A regional Marketing Order can be used as an economic weapon against a dehydrator, and its indiscriminate use is a constant threat to all producers of dehydrated potatoes. Ohe-Ida Foods, Inc. has thousands of dollars of dehydration equipment in Idaho, Oregon, and Michigan. Since the mid 50's we have spent considerable time, money, and effort in developing quality dehydrated potato products and creating a market for them. We need the passage of HR 11243 and S 2214 to protect this investment. The public needs this legislation to assure the continued availability of these well-accepted products.

We respectfully urge your affirmative support of these bills.

Cordially,

DALE B. McLANE,
Director, Public Relations, Ore-Ida Foods, Inc.

LEWISVILLE, IDAHO, June 3, 1969.

Hon. HOLLAND,
*Agricultural and Marketing Stabilization of Prices, Senate Office Building,
Washington, D.C.*

DEAR SENATOR HOLLAND: In reference to the June 10th hearing involving Senate Bill S 2214 as it relates to allowing the potato dehydrator processor the same exemption that is now in effect for the frozen and canned potato processor.

Senator, I urge you to support the passage of Senate Bill S 2214, for actually, dehydrated potatoes are at a very distinct disadvantage. It is a fact that between

70 and 80 percent of all the potatoes dehydrated in Idaho are manufactured in the ten or twelve most eastern counties in the State of Idaho.

In my opinion, if the same exemption is not extended to the dehydrated manufacturers, it is very possible that this whole industry could be lost and result in economic chaos. It's not only the processing plants but their employees, the farmers, and all those depending on farming in Eastern Idaho and the United States that would be affected.

Senator, would you please lend your support to give the dehydrating potato industry the same opportunities that frozen and canned potato products have. Please vote for passage of Senate Bill S 2214. Thank you.

Very truly yours,

GALE CLEMENT, *Clement Bros.*

BLACKFOOT, IDAHO, June 9, 1969.

HON. SPESSARD L. HOLLAND,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HOLLAND: I would like to call your special attention to HR 11243 and Senate Bill 2214 recently introduced in the House and the Senate. These Bills have been introduced to amend the Agricultural Marketing Act of 1937 and must be passed to prevent the economic discrimination against, and possible failure, of the young and vital dehydrated potato industry.

In this age of rapid advancing food technology, dehydration has become a major method of preserving foods. The potato industry points up a most graphic example in that approximately 70% of all mashed potatoes served in restaurants and institutions are prepared from dehydrated potatoes. The dehydrated potato has become a very important part of the school lunch program and all government programs involved in food service.

However, the potato dehydration industry finds itself at a very marked disadvantage under the Agricultural Marketing Act of 1937. In 1937 when the Act was passed, canning was the only major method of preserving food. When, by 1946, freezing had become a major factor in preservation of food, the Act was amended to give freezers the same exemptions as had been enjoyed by canners. Today, the dehydrated facet of the potato industry is the only facet still subject to the authority of the Agricultural Marketing Act of 1937 as amended.

It is apparent that the intention of post revisions of the Act was to keep it up to date by assuring new processors of equal consideration. Now the only just and logical next step is to allow the same exemptions provided for the canners and freezers to the dehydrators. The passage of House Bill 11243 and Senate Bill 2214 will do nothing more than allow the dehydrated processed potato producer to be competitive with the canner and freezer.

There is a certain amount of misunderstanding regarding the potato processing industry on the part of the potato growers. Because it is a fairly new industry and has been scrambling to keep up with the demands it has created, it has not always been successful in informing the other segments of the industry of the purpose and need of the processing industry. As the demand in the market place change all industries find themselves faced with producing products which fill these demands. With the tremendous growth of the convenience product, many of the traditional product forms are finding less acceptance in the market place and new convenient forms must be produced to maintain a position. This is exactly what has happened in the potato industry and what many growers feel is a serious threat to their future is really an effort to maintain the potato industry by producing products which meet the needs and desires of the consumer. Without the advancing technology in the processing industry the potato industry would quickly find itself in a downward spiral. In order to function efficiently and at maximum benefit for all concerned, each segment of the industry must respect and appreciate the position of the others and realize that all are an integral part of one industry basically interested in the same end result but that none can operate under a disadvantage such as the dehydrators have in the Agricultural Marketing Act of 1937 and do their part in maintaining existing markets or contributing to future growth and prosperity.

Since our competitive system is the basis of our country's tremendous industrial resource, I am sure that you can appreciate the unjust position in which the

dehydrator is now placed and will give your support to the proposed Bills. The enclosed pamphlet further illustrates the very real need for the passage of these amendments.

Your understanding and cooperation is appreciated.

Respectfully yours,

A. J. EVANS,
General Manager, Idaho Potato Starch Co.

(The pamphlet referred to above is on file with the committee.)

CINCINNATI, OHIO, June 10, 1969.

The Honorable Senator HOLLAND,
Chairman, Senator from Florida,
Washington, D.C.

DEAR SIR: Our company is a distributor of dehydrated potato products. We are against potato marketing orders because of the effect it can have on the dehydrated potato business!

Since both canned and frozen potatoes are exempt from the provisions of the Agricultural Marketing Order Act of 1937, we feel that dehydrated potato products should also be exempt.

If dehydrated potato products are to be in an equal competitive position, it is imperative that they be given the same marketing exemption.

We understand that Congress is now considering a bill to exempt dehydrated potato products and we want to add our support for this bill.

Sincerely yours,

G. RICHARD THOMAS,
President, Thomas Foods, Inc.

COCKEYSVILLE, MD., June 11, 1969.

HON. SPESSARD LINDSEY HOLLAND,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR HOLLAND: McCormick & Company, Incorporated is a manufacturer and distributor of various food products, including dehydrated potatoes. We feel that the future of the dehydrated potato business is in jeopardy, unless it is granted an exemption under the provisions of the Agricultural Marketing Order Act of 1937.

As you well know, both canned potatoes and frozen potatoes are exempt from marketing orders. We feel that in order to foster the free competitive atmosphere, as between the different types of potato processors, it is only right and proper that they all be afforded the same exemptions.

It is our understanding the Congress is presently considering a bill to give dehydrated potatoes this exemption. We would like to add our support for this legislation.

Sincerely yours,

JOHN N. CURLETT,
President, McCormick & Co.

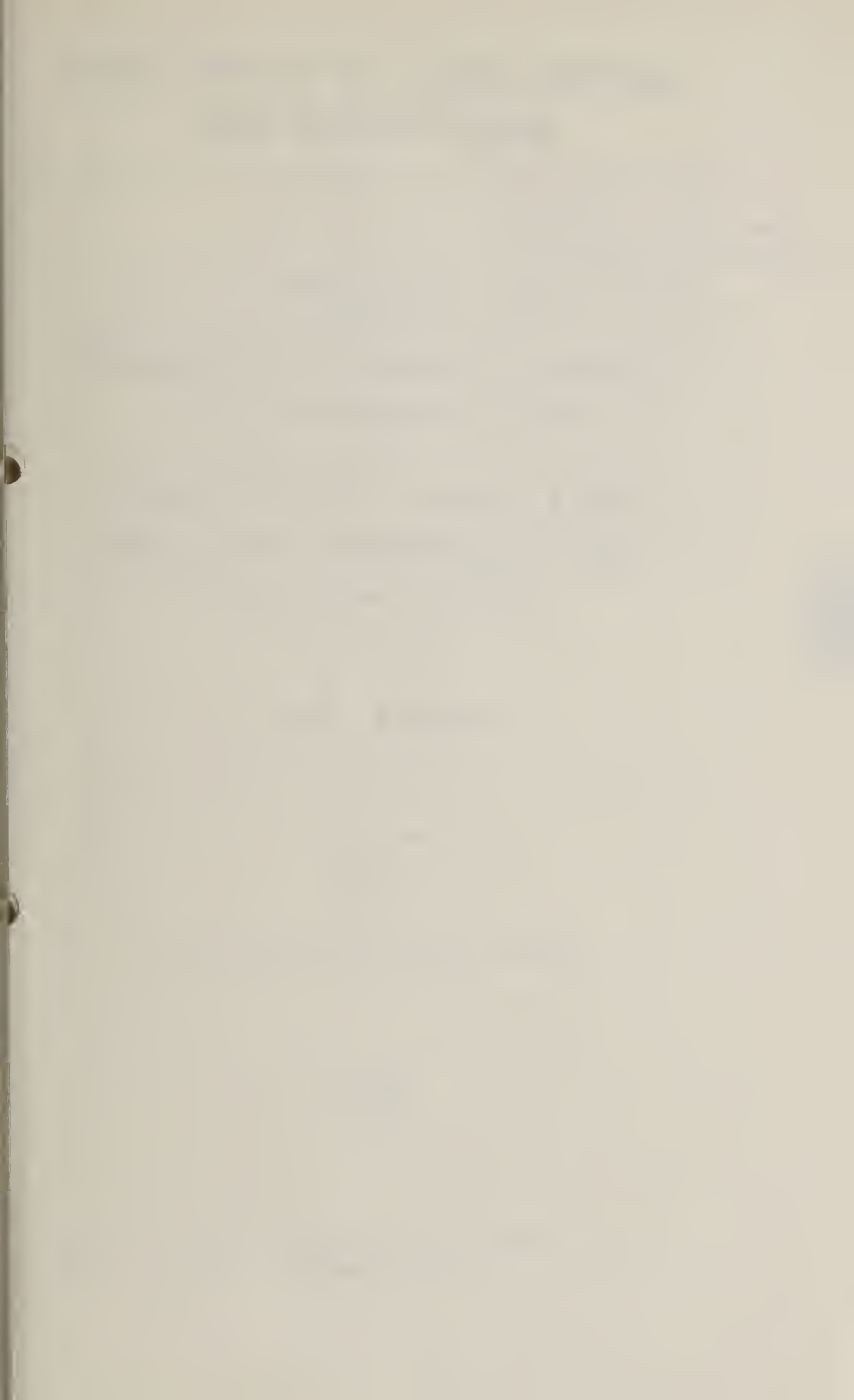
WASHINGTON, D.C., June 11, 1969.

HON. SPESSARD L. HOLLAND,
Chairman, Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices, Senate Committee on Agriculture and Forestry, Old Senate Office Building, Washington, D.C.

DEAR CHAIRMAN HOLLAND: It is our understanding that in testimony presented at the recent hearings on legislation to extend the canning and freezing exemption from marketing order controls to all methods of processing of potatoes, the suggestion was made that the present exemption be removed. Should your Subcommittee consider this to be an issue, the National Cannery Association requests that the hearings be reopened and that we be given the opportunity to review the economic reasons and philosophy behind the statutory exemption applicable to canning that has been in existence since 1937.

Very truly yours,

R. B. HEINEY,
Director, National Cannery Association.



EXEMPT POTATOES FOR "OTHER PROCESSING"
FROM MARKETING ORDERS

PLEASE RETURN TO USDA
NATIONAL AGRICULTURAL LIBRARY
LAW BRANCH, LEGISLATIVE REPORTING,
Rm. 117-E, Admin Bldg.
Wash. D. C. Ext. 4654

HEARING
BEFORE THE
SUBCOMMITTEE ON DOMESTIC MARKETING
AND CONSUMER RELATIONS
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
NINETY-FIRST CONGRESS

FIRST SESSION

ON

H.R. 11243

JUNE 9, 1969

Serial J

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EXEMPT POTATOES FOR "OTHER PROCESSING" FROM MARKETING ORDERS

MONDAY, JUNE 9, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING AND CONSUMER
RELATIONS OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, Hon. Thomas S. Foley (chairman of the subcommittee), presiding.

Present: Representatives Foley, Poage, Sisk, Jones of Tennessee, May, Goodling, and Myers.

Also present: William C. Black, general counsel; Hyde H. Murray, assistant counsel; John A. Knebel, assistant counsel; and Martha S. Hannah, subcommittee clerk.

Mr. FOLEY. The Subcommittee on Domestic Marketing and Consumer Relations will come to order.

The subcommittee meets this morning for consideration of H.R. 11243 by Mr. Don Edwards of California and Mr. Gubser and Mr. McCloskey of California, excluding from marketing orders potatoes for canning, freezing, or other processing.

At this point we will insert the bill and the departmental report in the record.

(H.R. 11243 and the departmental report follows:)

[H.R. 11243, 91st Cong., first sess.]

A BILL To amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended, is amended as follows:

(1) In subparagraph (A) after the words "vegetables (not including vegetables, other than asparagus, for canning or freezing)" insert the words "and not including potatoes for canning, freezing, or other processing"; and

(2) In subparagraph (B) after the words "fruits and vegetables for canning or freezing," insert the words "including potatoes for canning, freezing, or other processing."

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, June 9, 1969.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR MR. CHAIRMAN: This is in reply to your letter of May 16, 1969, requesting a legislative report by the Department on H.R. 11243, a bill to amend Section 608 (c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended. This bill would exempt potatoes for "other processing" from marketing orders.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this Act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the Act.

The use of potatoes for food processing has increased sharply during the past decade. Only 14 percent of 1956-crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume, but large quantities were used for canning, potato chips and shoestrings, and dehydration. Dehydrated potato processing increased six-fold during the 1956 to 1967 period, while the use of potatoes for chipping and shoestring potatoes more than doubled. Continued expansion of sales to all food processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. In 1967, these areas produced about 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crop. Departmental data show that "other processing" in 1967 which the bill would exempt from coverage under the Act totaled about 64 million hundredweight of potatoes used for dehydration, chips, shoestrings, starch, and flour. It is estimated that about one-half of this quantity is processed in areas operating under marketing orders.

The enactment of this bill would not result in added costs to the Department.

In view of the time situation, we have not obtained from the Bureau of Budget advice regarding the relationship of this proposed legislation to the President's program.

Sincerely,

RICHARD LYNG,
Acting Secretary.

Mr. FOLEY. The first witness this morning will be the principal sponsor of the legislation, Hon. Don Edwards of California. Mr. Edwards, it's always a pleasure to see you.

STATEMENT OF HON. DON EDWARDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. EDWARDS. Thank you, Mr. Chairman.

I appreciate being allowed to testify today.

I am respectfully urging enactment of this legislation because I believe that a grave injustice is being done to a local business concern in San Jose, Calif., with 30 employees. Pik-Nik was founded in San Jose 30 years ago and it has been manufacturing a snack food product from potatoes—potatoes which farmers otherwise could not market because of their small size. Pik-Nik purchases have, therefore, been of great advantage to the farmers. For the past 30 years Pik-Nik has been buying its size B potatoes from the Klamath Basin which has since 1948, I believe, been subject to a potato marketing agreement order which empowers the Agriculture Department to regulate or prohibit potato shipment from the Klamath Basin to other areas. This authority, however, does not apply to shipment of potatoes to receivers engaged in the canning or freezing of potatoes, and for the past 20 years, Mr. Chairman, the Oregon-California Potato Committee as an adjunct of the U.S. Department of Agricul-

ture has recognized Pik-Nik as engaged in canning and we can furnish official Agriculture Department documents describing the Pik-Nik process as canning.

In October 1968 the Agriculture Department was requested by the Oregon-California Potato Committee to implement their order No. 947 by prohibiting the shipment of these sized B small potatoes. This the Department did and at the same time declared that the Pik-Nik process was not canning within the Agriculture Department's recognition, and, therefore, was not exempt from the order.

This is a reversal of the Agriculture Department's position maintained for 30 years and I think it even might be said, Mr. Chairman, that it constitutes a new definition of the word canning.

Pik-Nik is the only canner of shoe string potatoes in the United States that is being forced to operate under a regulation such as marketing order No. 947. Its competitors in the eastern part of the United States are free to purchase and to manufacture and to sell any grade potatoes. And this legislation would remedy this serious situation. I think, Mr. Chairman, it would be equitable.

I thank you for your courtesy in allowing me to testify today and I respectfully urge favorable consideration of this bill.

Mr. FOLEY. Thank you very much, Mr. Edwards.

Mr. Sisk?

Mr. SISK. No questions, Mr. Chairman.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. No questions.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Thank you very much.

Mr. EDWARDS. Thank you.

Mr. FOLEY. The next witness will be the Honorable Charles Gubser, the cosponsor of the legislation. Mr. Gubser.

STATEMENT OF HON. CHARLES S. GUBSER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. GUBSER. Thank you very much, Mr. Chairman. With your permission I merely would like to make a few informal remarks and ask for the privilege of revising and extending and submitting a formal statement for the record.

Mr. FOLEY. Without objection, so ordered.

Mr. GUBSER. As you know, I am one of the cosponsors of this bill along with Congressman Edwards, who has just testified. I was not here early enough to hear all of Congressman Edwards' testimony, so I am sure that he has already informed you of the facts which led to this situation and the introduction of this bill.

For a quick summary, it has been the practice over a number of years of the Pik-Nik Co., situated in San Jose, Calif., to process their product from what is known as "B" size potatoes. They have been able to do so operating under a certificate of privilege which was dated September 15, 1959. I call attention to one particular phrase in that certificate of privilege, No. 5, which says that the specified purpose for which these potatoes will be used is canning. And as you know, items used for canning are exempt under the terms of the Agricultural

Marketing Agreement Act of 1937. Of course, the Department of Agriculture states that this certificate of privilege was not granted on the basis that it came under the canning exemption but was merely intended to show that the product would not find its way into the fresh market. It strikes me that that rebuttal by the Department is a little bit redundant because the fact still remains that the original intent of Congress, I believe, in passing the Agricultural Marketing Agreement Act of 1937 was to keep these undersized potatoes from finding their way into the fresh market. And I think it is wrong for the Department today, after it had allowed these potatoes to be used by the Pik-Nik Co. in the manufacture of their product for so many years, to seize upon a technicality, and it is a technicality, and claim that this exemption or this certificate of privilege is now invalid.

I think it shows that the statute needs revision, that it is now antiquated, because it does not take into account the fact that since the words canning or freezing were originally placed in the law as an exemption that there have been any number of new processes for preserving food which now should be considered.

I repeat that the intent of Congress, and I think you will all agree with me, was to keep certain substandard products, in this case No. 1 B size potatoes off the fresh market. The Pik-Nik process definitely does not produce a fresh product. It is placed on the grocer's shelves in the section with canned food. It is controlled insofar as labor is concerned by the cannery workers union and comes under their jurisdiction. I know Pik-Nik has worked closely with the National Cannery Association. I think that you will find there have never been any complaints about the shelf life of the Pik-Nik product. It is preserved and it is canned. So, I repeat again, this is not in the fresh market. It meets the intent of Congress. And I think it only proper that we revise the law so as to include this type of processing as coming within the exemption given to canning and freezing.

All we are asking for in this bill, H.R. 11243, is to now more clearly and more definitely spell out what I am sure and I think you will agree was the intent of Congress.

One point which may not be particularly significant in determining this issue, but certainly is something that we ought to consider in this day and age, I think that while there is hunger in this country and while there is a definite feeling on the part of so many Americans that we should do something about hunger, that we cannot justify the waste of edible foodstuffs which have been finding their way to the consumer. If we do not allow this process, which has continued over so many years, and allow these people to utilize this edible potato in the manufacture of this particular product, the shoestring potato, then I think we will be consigning this product to the waste heap. We cannot justify that in this day and age.

There is a question of employment; 30 people are employed year-round in San Jose. They are members of the Cannery Workers Union, and they will be placed out of employment if due to economic reasons incident to this regulation the Pik-Nik people are forced out of business.

We could be setting a precedent here which might result in further unemployment if we allow an interpretation on purely technical

grounds, which I repeat violates the intent of Congress, to stop a long-standing practice in this industry.

Probably this will be inserted into the record but I have a letter from the General Manager of the Pik-Nik Co. dated March 8, 1969, and with your permission, I would like to conclude my testimony by citing six arguments which Mr. Runzler, the general manager, has included in this letter. Many of them will repeat what I have already stated.

Mr. FOLEY. Mr. Gubser, may I interrupt? Mr. Runzler is here and is going to testify. It would be all right as far as the committee is concerned, but you may be preempting most of his testimony.

Mr. GUBSER. Very good. I think, Mr. Chairman, that about summarizes my points on this. I am very grateful to you and the members of the committee for giving us this timely hearing on the matter which is of great concern to us and to the employees of our congressional district. Thank you very much. I will be happy to answer any questions.

Mr. FOLEY. May I just ask a question concerning the location of the Pik-Nik Co. Is it in your congressional district?

Mr. GUBSER. I believe this is a Congressman Edwards' district. But we jointly claim the city of San Jose.

Mr. FOLEY. Mr. Sisk?

Mr. SISK. No questions.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. Mr. Gubser, while you and Congressman Edwards are primarily interested in the Pik-Nik Co., is it not true that other similar industries in other States are affected also?

Mr. GUBSER. I do not know of any at the present time, Mr. Goodling, but certainly if you establish this precedent it certainly could apply.

I would say one other point which I neglected to mention which you reminded me of. I think this is discriminatory against those who operate such businesses in the California-Oregon area which in this case happens to be only the Pik-Nik Co., because of the fact that their competitors across the Nation can continue to use B size potatoes whereas the Pik-Nik Co. is singled out as the one company that is not able to. Now, this admittedly is due to the fact that the marketing agreement or marketing order applies only to this section and that if other growers in other parts of the country were to adopt similar marketing agreements or orders, then the situation would hold true in other parts of the country, but at present it is only the Pik-Nik Co. which is going to be affected by this reversal of policy, long-standing policy, I might add.

Mr. GOODLING. I represent a lot of chip industries. I do not want to see any discrimination there any more than you do against the Pik-Nik people.

That is all, Mr. Chairman.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Mr. Myers?

Mr. MYERS. No questions.

Mr. FOLEY. Thank you very much.

Mr. GUBSER. Thank you, Mr. Chairman.

MR. FOLEY. The next witness will be Mr. Floyd F. Hedlund, Director, Fruit and Vegetable Division, Consumer and Marketing Service, U.S. Department of Agriculture.

STATEMENT OF FLOYD F. HEDLUND, DIRECTOR, FRUIT AND VEGETABLE DIVISION, CONSUMER AND MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE

MR. HEDLUND. Mr. Chairman, members of the Committee, my name is Floyd Hedlund, Director of the Fruit and Vegetable Division, Consumer and Marketing Service, U.S. Department of Agriculture.

H.R. 11243 is a bill to add to the canning and freezing exemption in the Agricultural Marketing Agreement Act of 1937, as amended, potatoes for other processing. This bill would exempt potatoes for dehydration, potato chips, starch, and flour from regulation by marketing orders under the act.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the act.

The use of potatoes for food processing has been increasing sharply. Only about 14 percent of the 1956 crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume in 1967, but large quantities were also used for dehydration and potato chips. Dehydrated potato processing increased sixfold during the 1956 to 1967 period, while the use of potatoes for chipping and the like more than doubled. Utilization data for the 1968 crop will not be available until September; however, trade reports indicate that the use of potatoes for processing, particularly freezing, continues to increase. Continued expansion of potato sales to food processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. Five of these orders authorize the regulation of potatoes for dehydration and other processing.

Some of the marketing order programs date back many years. In 1967, areas operating under Federal marketing orders produced approximately 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crop. It is estimated that of the 1967 potato crop, 64 million hundredweight of potatoes were used for dehydration, potato chips, shoestring potatoes, starch, and flour. Of

this quantity, 32 million hundredweight were produced in areas covered by marketing orders.

The Agricultural Marketing Agreement Act of 1937 authorizes marketing orders for specified agricultural commodities as a means of increasing returns to producers. These programs are administered locally by industry-nominated committees made up of producers and handlers of potatoes. Their activities are financed by industry-paid assessments.

Attached are tabulations showing the U.S. production of potatoes in 1968 and utilization of the potato crop from 1956 through 1967.

(The attachment to Mr. Hedlund's statement follows:)

POTATO PRODUCTION BY STATES IN 1968 AND PERCENTAGE OF U.S. TOTAL PRODUCED IN EACH STATE

State	Production (thousand hundred- weight)	Percent of total	State	Production (thousand hundred- weight)	Percent of total
Alabama.....	2,085	0.7	Nevada.....	138	(1)
Arizona.....	2,323	.8	New Hampshire.....	230	.1
Arkansas.....	126	(1)	New Jersey.....	3,570	1.2
California.....	29,629	10.1	New Mexico.....	774	.3
Colorado.....	11,005	3.8	New York.....	17,158	5.8
Connecticut.....	1,254	.4	North Carolina.....	1,986	.7
Delaware.....	1,539	.5	North Dakota.....	15,660	5.3
District of Columbia.....			Ohio.....	3,145	1.1
Florida.....	6,767	2.3	Oklahoma.....	30	(1)
Georgia.....			Oregon.....	12,290	4.2
Idaho.....	59,505	20.3	Pennsylvania.....	7,585	2.6
Illinois.....	414	.1	Rhode Island.....	1,260	.4
Indiana.....	1,381	.5	South Carolina.....	40	(1)
Iowa.....	576	.2	South Dakota.....	621	.2
Kansas.....	124	(1)	Tennessee.....	314	.1
Kentucky.....	195	.1	Texas.....	4,382	1.5
Louisiana.....	145	(1)	Utah.....	1,072	.4
Maine.....	36,890	12.6	Vermont.....	285	.1
Maryland.....	414	.1	Virginia.....	4,332	1.5
Massachusetts.....	1,036	.4	Washington.....	24,173	8.2
Michigan.....	8,067	2.7	West Virginia.....	390	.1
Minnesota.....	13,919	4.7	Wisconsin.....	11,895	4.0
Mississippi.....	188	.1	Wyoming.....	608	.2
Missouri.....	240	.1			
Montana.....	1,458	.5			
Nebraska.....	2,220	.8	Total.....	293,438	2 100.0

¹ Less than 1/10 of 1 percent.

² Includes 2/10 of 1 percent not allocated.

Source: Statistical Reporting Service, U.S. Department of Agriculture.

POTATOES—UTILIZATION OF 1956-67 CROPS

Utilization items	Crop year (1,000 hundredweight)											
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Fresh food:												
Tablestock-----	146,048	148,408	148,868	148,497	149,002	153,594	149,710	146,981	129,513	139,542	133,856	131,367
On farm-----	9,312	8,176	7,279	5,913	5,310	4,773	3,955	3,400	2,776	2,597	2,378	2,289
Subtotal-----	153,360	156,584	156,147	154,410	154,312	158,367	153,665	150,381	132,289	142,139	136,234	133,656
Processed food:												
Chips, etc-----	14,566	17,356	17,063	20,085	21,018	22,642	24,086	26,693	28,783	31,292	32,729	32,699
Dehydration-----	3,223	3,776	5,917	7,696	10,104	8,518	9,280	9,909	10,801	20,166	19,811	19,084
Frozen-----	4,675	4,827	8,263	9,918	15,042	18,138	18,400	22,425	23,654	37,302	39,609	39,609
Canned-----	2,283	2,606	2,864	2,447	2,809	2,775	2,926	3,240	3,201	3,348	3,386	3,480
Subtotal-----	24,747	28,565	34,107	40,106	48,973	52,073	54,692	62,267	66,439	92,108	95,557	94,872
Total food-----	180,107	185,149	190,254	194,516	203,285	210,440	208,357	212,648	198,728	234,247	231,791	228,528
Starch, flour-----	18,336	12,691	18,387	7,718	10,177	20,493	11,285	11,737	2,990	8,081	11,001	12,049
Feed sales-----	7,675	8,950	18,918	6,607	5,348	20,340	7,913	10,103	5,587	5,797	8,440	16,171
Feed on farm-----	4,148	2,718	3,916	3,104	2,940	4,192	3,340	3,087	1,871	2,179	2,930	2,781
Total-----	11,823	11,668	22,834	9,711	8,288	24,532	11,253	13,190	7,458	7,976	11,370	18,952
Seed sales-----	13,435	13,641	13,079	13,583	14,823	13,823	14,333	14,159	14,203	16,992	16,173	15,877
Seed on farm-----	6,752	7,577	7,086	7,093	7,560	7,191	5,955	5,911	7,363	6,510	8,113	7,436
Total-----	20,187	21,218	20,165	20,676	22,383	21,014	20,288	20,070	21,566	23,502	24,286	23,313
Shrinkage, loss-----	15,339	11,796	15,257	12,651	12,971	16,687	13,627	13,513	10,334	17,433	28,454	22,570
Total production-----	245,792	242,522	266,897	245,272	257,104	293,166	264,810	271,158	241,076	291,169	306,902	305,412

Source: Annual reports of the Statistical Reporting Service, U.S. Department of Agriculture.

Mr. FOLEY. Thank you very much, Mr. Hedlund.

Mr. Sisk?

Mr. SISK. Mr. Chairman, I would like to inquire of the witness exactly how broadly he interprets this processing. As I would understand from your statement, Mr. Hedlund, this would actually give an exemption for any and all kinds of uses of potatoes except the shipment of fresh potatoes to the market. Is that correct?

Mr. HEDLUND. Well, Mr. Sisk, it is not entirely clear. I think perhaps that is what the sponsors had in mind, but there is a question of whether simply peeling a potato constitutes processing. It is not entirely clear from this bill whether peeling would be considered processing or not. Perhaps other witnesses will treat that subject more fully.

Mr. SISK. That goes, of course, to the crux of my question. What is the legal determination of processing? I raise this question as I feel it may set precedents for other commodities. I am sure you know, Mr. Hedlund, being in the administration of marketing orders, many of us are very vitally concerned with the operation of these orders for the purpose of increasing the income to growers.

I am concerned as to whether or not we would be setting a precedent. Now, I have all the sympathy in the world for these people currently caught in a trap in San Jose—but it seems to me there might be another way out. I would like to explore that issue with you, but just what is the legal determination of processing? What actually has to occur between the time a product is considered fresh and until it is processed?

Mr. HEDLUND. Well, I am not sure there is a legal determination on what constitutes processing. I think it ought to be defined in this bill if this becomes law. It should be defined specifically what processing is meant to include.

Mr. SISK. I agree it is a term for the good of the future of the marketing orders and their influence or effect upon assistance to growers. There will have to be some kind of interpretation of just how broad it is. For example, does the peeling of a potato mean it is processed? I would hope, Mr. Chairman, that before these hearings are concluded we are able to get a legal definition. I have had raised with me questions about what we are doing from a precedent-setting situation.

Let me go to the next question. In the opinion of the gentleman representing the Department this morning, are there other ways where this particular situation might be met or might be remedied without going to the extent that this bill goes in the total exemption for all kinds of processing or other processing? Has the Department given any thought to some other method of placing this particular matter in a fair competitive situation? I can understand the U.S. Department of Agriculture feeling they were canners. They were canning these potatoes. They are actually, I understand, vacuum sealed and because of a recent interpretation they find themselves in a trap. I am sympathetic with the trap but I do not want to burn the house down because of a mosquito in it.

Mr. HEDLUND. Mr. Sisk, of course, you could make an exemption for that particular organization or any particular type of product. We do not disagree with the idea of equating all of the processors in one category. That is, that they should be on a competitive basis.

We suggested an alternative would be to put everything—

Mr. FOLEY. Will the gentleman yield?

Mr. SISK. Yes.

Mr. FOLEY. I am a little confused by that suggestion. The Pik-Nik Co., I understand, claims it would be at a disadvantage with respect to other processors in other parts of the country that are not operating under a marketing order. If the marketing order excluded all processors, how would it help Pik-Nik?

Mr. HEDLUND. Well, this alternative would simply make all potatoes eligible to have a marketing order irrespective of use of the potatoes, whether they were fresh market, canning, freezing or other processing. Under such circumstances, of course, all processors would be on the same statutory basis.

Mr. SISK. Is it not a fact—or maybe the witness will prefer not to comment on this—but is it not true that there is throughout the agricultural industry on the part of growers considerable interest in eliminating all exemptions, going just in the opposite direction of what we would be going in this bill?

Mr. HEDLUND. Yes, there has been interest expressed in that direction. I believe there have been bills before this committee, one before the Congress now, having to do with pears for canning and freezing.

Mr. SISK. That is the point I am making. In other words, generally the pressure, if I can use that term for lack of a better one at the moment, from growers of fruits and vegetables has been in the opposite direction; that is, of eliminating all exemptions for purposes of better stabilization and better control of the flow of commodities. This legislation then would be actually, in a sense, reversing that position.

Mr. Chairman, that is all.

Mr. FOLEY. Mrs. May?

Mrs. MAY. Mr. Hedlund, in your opinion, how well have the marketing orders that are in effect in several major potato-producing areas of this country been working for the benefit of the producers?

Mr. HEDLUND. Well, Mrs. May, that is always a difficult question to answer. I suppose you can say they are more successful in some areas than in others. I think the fact that producers still want them, still use them and, in some places insist upon having them, is some evidence that they are resulting in some benefits to the producers.

Mrs. MAY. And, according to your statement, then, the passage of the bill that is before us in its present form would definitely harm the gains to the producers that they now have under those marketing orders that are in existence.

Mr. HEDLUND. Yes. I think it would reduce the bargaining power of the producer in the sale of his potatoes.

Mrs. MAY. And going again to Mr. Sisk's questions, at this time in your Department you do not have anything to recommend to us in the way of wording that might help the particular company who has the special problem without harming the existing successful marketing orders. Is that correct?

Mr. HEDLUND. No. We do not have anything at this moment. We have not been asked to investigate that particular subject, but we certainly would be glad to do so.

Mrs. MAY. Well, I personally certainly do not want to do anything to weaken or harm present marketing orders for potatoes, because I do feel marketing orders are an important tool that helps producers.

At the same time, we all recognize the difficult bind that the Pik-Nik Co., is in, and perhaps others. I look forward to trying to work with your Department to see if there is another approach that does not require that we throw the baby out with the bath water.

Thank you.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman.

Mr. Hedlund, in the second paragraph of your statement, you have admitted that there is discrimination at the present time, and in that same paragraph you say inasmuch as the potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing.

Is that good or bad?

Mr. HEDLUND. Well, Mr. Goodling, it depends on what the purpose is. If the purpose is simply to equate processors with each other, this would do it. If your purpose is to help agricultural producers or potato producers, then you would probably do something different.

Mr. GOODLING. I am more familiar with the fruit industry than I am with the potato industry. In the fruit industry we encourage putting some of the so-called offgrade products into cans rather than selling in the fresh fruit market. The quality is just as good in many cases but the eye appeal is not. We know, if we take some of this so-called low-grade fruit off of the fresh market, we are encouraging people to buy a better grade of fresh fruit. It has been working out very successfully in our industry. Do we not have a right to expect that it would do the same for the potato industry?

Mr. HEDLUND. Yes, Mr. Goodling. You have a point that many commodities or products are put into cans or frozen, and so forth; but some agricultural industries do not like the idea of selling their product at a very cheap price, processing it and then having it come back to compete with their premium product in the retail store.

Mr. GOODLING. I know that until you people or some of us develop a better way of producing we are always going to have some so-called offgrade products. We have not learned to eliminate them in any phase of agriculture so far.

Mr. HEDLUND. Yes. I think we are going to have to deal with Mother Nature whatever you are doing in agriculture.

Mr. GOODLING. Would this bill have any effect in areas where there are no marketing orders?

Mr. HEDLUND. Where there are no marketing orders in operation, I would not think this would have any consequence.

Mr. HEDLUND. Eventually, it could have.

Mr. GOODLING. That is all, Mr. Chairman.

Mr. FOLEY. Mr. Myers?

Mr. MYERS. No questions.

Mr. FOLEY. Thank you very much, Mr. Hedlund. We appreciate your testimony this morning.

The next witness will be Mr. Frank Runzler, general manager, Pik-Nik Foods Co., San Jose, Calif., accompanied by Mr. Anthony Giacomini, his attorney.

**STATEMENT OF FRANK RUNZLER, GENERAL MANAGER, PIK-NIK
FOODS; ACCOMPANIED BY ANTHONY GIACOMINI, ATTORNEY**

Mr. RUNZLER. My name is Frank Runzler, general manager of the Pik-Nik Co. We are located at 214 Dupont Street, San Jose, Calif.

To better inform you, the Pik-Nik Co. is a division of Beatrice Foods Co. We process potatoes and manufacture canned french fried shoestring potatoes. This is our only business and function.

Pik-Nik sells and competes with other shoestring manufacturers in various areas. Although we are on the west coast, our largest segment of business is conducted in Illinois, Wisconsin, Iowa, Minnesota, North Dakota, South Dakota, Missouri, Kansas, and Nebraska; with some activity in Oklahoma, Michigan, Kentucky, and Massachusetts. We also sell to various military installations—primarily to overseas bases. Most of our military business, until recently was on a bid basis through the Army and Air Force exchange system for shipment to Vietnam.

Pik-Nik has been in business since 1939 and always located in San Jose, Calif. It has been a division of Beatrice Foods since 1961. We are an autonomous operation with all decisions, except approval of capital expenditures, being made in San Jose. Since the advent of our problems with the U.S. Department of Agriculture in October of 1968 much has changed—especially our employees' morale, due to the disruptive force of present interpretation of marketing order No. 947. Pik-Nik has, since March 1, 1969, been operating at a loss.

Since 1942, Pik-Nik has acquired its potatoes from two regions: (1) the Klamath Basin—which includes southern Oregon and the two northernmost counties in California—and (2) the central and southern areas of California.

The Klamath Basin region has from 1942 until October of 1968, been our only source of potatoes for the winter months from October until June. Pik-Nik purchases a Russet Burbank variety potato of a U.S. No. 1, B size, grade. This particular potato is an excellent product and is exactly as good as any fresh table grade A size. The only difference between the product we process and the U.S. No. 1 A size, potatoes is the size.

When Pik-Nik first started purchasing potatoes in the Klamath Basin, the growers were most appreciative because Pik-Nik was able to use a size that previously had been discarded. Pik-Nik used potatoes that were not, and presently are not, nor will they ever be, competitive with the fresh potato market. During the months of June through October, Pik-Nik purchases a U.S. No. 1-B size Russet Burbank variety in California.

In the late 1940's, Marketing Agreement No. 114, affecting the major portion of Oregon—excluding Malheur County—and including Modoc and Siskiyou Counties, Calif., was adopted by affirmative vote of the producers and handlers of the area pursuant to the Marketing Agreement Act of 1937 (7 USCA 608 et seq.). Thereafter, Marketing Order No. 59 was promulgated, which can be found, in its present form, in 7 CFR 947.1 through and including 947.140. Since about 1948, annual regulations pursuant to Marketing Order No. 59 have been published in the Federal Register.

For the purposes of clarity, I wish to refer to the Marketing Agreement Act of 1937 as the act, the Marketing Agreement No. 114 as

the Marketing Agreement, Marketing Order No. 59 as the marketing order, and the Federal Register regulations as the regulations.

The marketing order established a committee of potato growers and potato handlers under the title of the Oregon-California Potato Committee to administer the marketing agreement, the marketing order, and the regulations issued by the Secretary of Agriculture. The committee has the power to make rules and regulations which may, or may not, be adopted by the Secretary of Agriculture, to investigate and report violations of the marketing order, and to employ a manager. Although technically not a part of the Department of Agriculture as such, the committee operates as an advisory and administrative adjunct to the Department of Agriculture, which is charged with the primary responsibility of administering the marketing agreement, marketing order, and regulations issued pursuant thereto.

When the marketing agreement was made, the act, as amended, excluded from its jurisdiction manufacturers of canned or frozen potato products.

From 1948 through the 1968 crop season, Department of Agriculture regulations for each crop year set minimum standards of quality and size for potatoes sold from the area covered by the marketing order. Commencing with the 1949 crop season, these regulations permitted shipments of potatoes not meeting the minimum size and quality requirements of the regulations for certain specified uses. Included in these specified purposes was canning and freezing. Throughout the period of all of these regulations, Pik-Nik continued to buy potatoes which did not meet the minimum size and quality requirements of the regulations. The only exception during these periods applicable to Pik-Nik was canning.

Shortly after October 15, 1968, the effective date of the current regulation, Mr. Lloyd Baker—the then newly appointed committee manager—informed the handler who has, over the years, supplied the raw material potatoes for Pik-Nik, that Pik-Nik was no longer qualified to purchase special purpose shipments from the Klamath Basin because it was not a canner. On October 21, 1968, an inquiry to Mr. Robert H. Eaton, in charge of the U.S. Department of Agriculture northwest marketing field office in Portland, Oreg., as to why there was such a sudden change in Pik-Nik's status, got the response that the Washington, D.C., office of the Department of Agriculture had informed him and Mr. Baker, after a request by Mr. Baker, that canning, for the purposes of the act, was defined as follows:

* * * a preserving process whereby the commodity is cooked in liquid in can or glass which is hermetically sealed.

and that, since Pik-Nik seals its product in a hermetically sealed can without liquid, it is not engaged in canning as contemplated by the act. Mr. Eaton further stated that the Department's policy for the 1968 crop was to limit the flow of potatoes not meeting the minimum size and quality requirements to processors from the crop and that, for the reason, prepeeling had been removed as a special purpose use for the 1968 crop. He stated that Pik-Nik was a prepeeler, he had had no response to two inquiries, that is, (1) why had Pik-Nik been allowed to receive special purpose shipments prior to the inclusion of "prepeeling" in the regulations beginning in 1960, and (2) why, in the

past, when special purpose shipments had to specify the status of the user, Pik-Nik had been declared to be a canner.

The casual indifference toward Pik-Nik was both shocking and surprising because: (1) Prepeeling as defined in the regulations issued under the marketing order for the crop season of 1960 on, defined a prepeeled product as a fresh, uncooked tuber treated by sulfur dioxide (SO_2) to prevent discoloration; and (2) the committee has issued special purpose shipment permits in the past expressly recognizing Pik-Nik as engaged in the canning of potatoes as exempted by the act, the marketing order, and the regulations.

At this point, Pik-Nik was literally cut off from Oregon potatoes for the winter months.

I personally met with Mr. John Blum and various other U.S. Department of Agriculture officials in Washington in December, 1968. At that meeting, one of the Department officials stated that when the decision was made in Washington to so define canning, no Department personnel in Washington was even aware that Pik-Nik existed. Indeed, this particular official lamented it was too bad he did not know Pik-Nik was located in San Jose because he had been visiting the San Jose area around November 15, 1968.

Mr. Blum explained the purpose of the present regulations under the marketing order was to increase grower returns. I explained that Pik-Nik, in order to be competitive with other shoestring canners, needed an unrestricted supply of U.S. No. 1-B size potatoes because Pik-Nik's main competition has its plants in the States of New York and Arkansas, and they use raw materials from areas not governed by marketing orders. I told him that if Pik-Nik were forced to purchase U.S. No. 1-A size, Pik-Nik would be at a complete disadvantage with competition. Mr. Blum's response was that we should raise prices. My response was, competition being what it is, we simply could not. Mr. Blum agreed to review the definition of canning and to inform us as soon as possible. Very shortly we were informed that the U.S. Department of Agriculture was unrelenting in its definition of canning.

Another meeting in Mr. Blum's office was held in January 1969. This time, our counsel, Mr. Anthony Giacomini, accompanied me. This time, we produced copies of shipping permits defining Pik-Nik as a canner, which was greeted with a shrug of the shoulders. We were told, in effect, that the treatment of Pik-Nik as a canner by the Department and the committee for the past 20 years had been wrong. We were amazed at this attitude, because we presumed that Government officials acted within the law and in good faith. We were told our status would be reconsidered, and were soon notified that canning was now defined as requiring:

* * * that the product be heat sterilized in hermetically sealed containers, with application of sufficient heat, at the time of or immediately after sealing the contents in the container, to achieve adequate sterilization of the contents and the interior surfaces of the container so as to assure preservation of the contents.

The Department has attempted to justify its definitions of canning by reference to standards of canned potatoes under the Food and Drug Act. We submit that Pik-Nik has, for over 30 years, met these standards for canned potatoes and that the definitions of canning employed

by the Department in 1968 and 1969 are not consistent with those standards.

Because Pik-Nik was not allowed to purchase U.S. No. 1 B size potatoes, Pik-Nik was forced to close temporarily on February 20, 1969. We remained closed until March 10, 1969. This, of course, forced the layoff of our entire staff—30 employees, all members of Cannery Workers Local No. 679.

So, gentlemen, the current administration of Marketing Order No. 947 literally closed our operation.

With very limited supplies, we reopened on March 10, 1969. To illustrate just how inefficient our operation has been because of our not being able to purchase U.S. No. 1 B size Klamath Basin area potatoes, our production was down over 30 percent during the months of February, March, April, and May of 1969 as compared to the same months of 1968. As a result of our low production, low inventories, and excessive competitive activity, we are operating at a loss.

In the final analysis, the Department of Agriculture has attempted to justify its position toward Pik-Nik since October 1968 to the present time on the basis that its purpose is to benefit the potato industry by limiting shipments of potatoes not meeting the minimum size and quality requirements of the regulations to processors because the Department claims such shipments depress potato prices.

No one can quarrel with efforts to improve the potato industry; all who are in the industry desire to improve it. But if shipments to processors are harmful, as the Department of Agriculture states they are, then the Department of Agriculture has poorly served its objective of limiting shipments to processors, because more shipments of Russet-type potatoes have been shipped for processing from the marketing order area from the 1968 crop than were shipped from the same area from the 1967 crop.

Also, while poorly serving this objective, the Department of Agriculture has issued a regulation which permits processors within the marketing agreement area to receive and process potatoes without reference to minimum size or quality requirements, while denying processors of the same type of products from outside the area access to the same raw material, raising a serious question of equal protection under the law. Moreover, it has permitted certain users of potatoes not meeting the minimum size and quality requirements to take potatoes from the Klamath Basin area while denying Pik-Nik (the longest user of such potatoes from the Klamath Basin area) the opportunity to purchase them.

We submit that the policy of the Department of Agriculture is behind the times.

The Klamath Potato Growers Association, by a letter dated May 16, 1969, signed by Walt Jenerdzejewski, secretary and county agricultural agent, has made it plain to the farmers within the Klamath Basin area that the basin cannot long continue without adequate processing outlets which lend themselves to utilization in a growing dehydration market in which, at the present time, the Klamath Basin growers have been precluded from participating in any substantial fashion.

That processing is the salvation of the potato industry has been explored and discussed at great lengths at the proceedings of the second annual Oregon potato growers meeting held in Madras, Oreg. on

January 23rd and 24, 1969. At that meeting, G. B. Wood of Oregon State University, pointed out that the factors affecting potato marketing and prices has been the high rate of instability within the industry arising primarily from a very high inelastic demand for potatoes and a yearly variation in potato production. He explained that the low financial return for the 1967 potato crop was the result of a good potato year in 1964 when freezing weather brought the highest potato prices in about 40 years. Acreage expanded 8 percent in 1965 over 1964; another 5 percent in 1966 over 1965; and the fall of 1967 was excellent and storage losses were at a low level. As a result, the 1967 year started with about 9 percent larger stocks than were on hand in 1966. Larger stocks, coupled with a buildup in production in the face of a rather constant total demand for potatoes, presented a troublesome situation which resulted in very unprofitable potato prices to potato growers throughout the country for the 1967 crop. A smaller supply of potatoes according to Professor Wood, had a correspondingly favorable effect on potato prices for the 1968 crop. He concluded his analysis by pointing out the future of the potato industry and the key to expansion is the development of processing outlets with the potato being treated as a raw material and used as such.

We submit that the inherent inequities of the present regulations, the act, and the marketing order, as dramatically shown in the problems that beset Pik-Nik, should be remedied by the present bill before this committee.

All we want, gentlemen, is to be allowed to compete with the same rules and laws governing all canners, freezers, and processors. May I emphasize again, Pik-Nik is only the first example of what can happen to a processor if this inequity is not corrected by a new law granting exemption.

Thank you for allowing me to speak.

Mr. FOLEY. Thank you, Mr. Runzler.

Mr. Sisk?

Mr. SISK. Mr. Chairman, let me commend Mr. Runzler on a very concise and well thought out statement.

Is the position of Pik-Nik that the Department was erroneous in its interpretation and definition of a canner or canning in this particular case?

Mr. RUNZLER. Yes, sir.

Mr. SISK. Having seen your product, I would assume it to be a canned product. It certainly is in a can and it would appear to be canned. So, would a simple redefinition of canning solve your problem?

Mr. RUNZLER. It would depend upon who was interpreting in the Department of Agriculture in the future. I would feel rather uneasy if another interpretation were to come along at a subsequent date.

Mr. SISK. I share your concern because, of course, if the rules of the game are switched in the middle of the stream, so to speak, and that is what happened, you would never know what to expect. As I indicated earlier, Mr. Runzler, I am sympathetic to your problem. The concern I express is a concern that I think has been indicated by people throughout the country who today are operating under marketing orders. There is a great need to define what is actually meant by the use of the term "other processing."

Now, if we go all the way and eliminate it or exempt all products

today under marketing orders for all kinds of processing, you can see immediately, I think, the problem that would arise. The Department of Agriculture and, of course, this committee, has to be primarily concerned with the stabilization of pricing of agricultural commodities from the standpoint of income to the grower. That is the reason I raise the question. You heard my question to the Department witness a moment ago as to whether or not there might not be another way, somewhat more limited, to meet this particular problem? Do you have any suggestions in that area?

MR. RUNZLER. I could not come up with anything right at the moment.

MR. SISK. The concern is what seems to me to be a rather blanket statement, "other processing." We are covering the field, because you discuss here about this prepeeled potato. You heard the comment also by Mr. Hedlund with reference to whether or not peeled potatoes become processed potatoes. Would they be processed, in your opinion?

MR. RUNZLER. No, sir. I think—there are witnesses following me, but I think the definition after processor is one who materially changes the stability of product. Now, there are other people that are technically better versed in this than I am, but I think it would include or be a fairly accurate statement.

MR. SISK. Could you give the committee briefly the range in costs or differentials in costs between a grade A, No. 1 grade, and that of a B size? What was your relative differential in cost in Klamath Basin?

MR. RUNZLER. Because we did not attempt to purchase U.S. No. 1A size in the Klamath Basin area, I am really not familiar with their price structure up there. We simply—we will provide you with what the cost would be at a later date after we have had time to do some research.

MR. SISK. It would seem to me that this would be of some interest to the committee. Let us assume for the moment that we went in the other direction in line with our discussion a little while ago with Mr. Hedlund and removed all exemptions from the law governing all products under Federal marketing orders. Would they all be in an equal competitive position?

MR. RUNZLER. If you removed all exemptions, I think you would have chaos that would end up with a can of potatoes like this that normally sells for 10 cents a can on the shelf, if you remove all the exemptions it would end up even at today's inflated prices it could theoretically cost a dollar. If you control or removed all the controls and there were no exemptions granted and growers would get together, which is certainly part of the business in today's present competitive world, if that would happen the price of potatoes, in my opinion, would skyrocket. I think we would only be the first of many, many people parading to Washington, because I think it would be harmful.

MR. SISK. I take some exception to that remark, Mr. Runzler, because the law itself would set up the operation, and regulations under the Marketing Order Act. The Department of Agriculture and the Secretary certainly have responsibility not only to the grower, but also to the consumer. I would seriously doubt the validity of that argument. It might increase the price of that can to 15 cents or it might even increase it to 20 cents. This whole philosophy today with reference to the problems of agriculture and the admitted situation where

nationally agriculture today is getting a far smaller percentage of the dollar than other industries, raises the whole question of whether or not the growers should not be given some protection. He should have the right to make some determination as to what he is going to sell his product for and whether or not the price he receives meets the cost of production plus a decent living wage. This is the responsibility of the Department of Agriculture so far as agriculture is concerned. Do you agree?

Mr. RUNZLER. Yes; I agree.

Mr. SISK. That is all.

Mr. FOLEY. Thank you.

Mrs. May?

Mrs. MAY. Mr. Runzler, I, too, want to thank you for a well stated case. I think perhaps you already are aware of the problem we are running into, the practical problem in this subcommittee, of very widespread concern among potato producers throughout this country about the extent to which this proposed legislation goes. I gather from my own communications, and I am sure the other members of the committee have the same experience, that these producers feel as Mr. Hedlund said in his statement, and I quote: "The bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers in view of the increasing quantity of potatoes going into the processing uses."

Now, admittedly there is always room for a difference of opinion as to how big a factor a marketing order is in setting the price of potatoes in any one area of the country. And you have made some statements about what happened on prices of potatoes in certain years, and I do not have the expertise or the facts to take issue with you, and I would not intend to. I will accept the study as made by Professor Wood and others.

What I would like to ask—did you, when you had the administrative regulations changed very suddenly on you, then did you look for other sources of potatoes for your firm in other parts of the country that might not be operating under a marketing order?

Mr. RUNZLER. We looked to other sources but the distances that potatoes would have to have been shipped to San Jose, for instance, from North Dakota, would just put us right out of business with regard to the price that it would cost us for the potatoes, for the raw material.

Mrs. MAY. What, then, was the impact on those potato producers in the Klamath area from whom you had been purchasing your basic supply for the Pik-Nik Co.? I understand you could no longer purchase from them. What was their attitude on it?

Mr. RUNZLER. Would you—I really do not understand that question.

Mrs. MAY. Well, you were buying potatoes in the Klamath area.

Mr. RUNZLER. Yes.

Mrs. MAY. Up until the time these changes in administrative orders were made. I assume that your inability to purchase potatoes in that area must have had some effect on the producers in that area from whom you had been making your purchases, right?

Mr. RUNZLER. Yes. They were not able to sell them because the order so stated that they could not ship—they could not be shipped from that area.

Mrs. MAY. What I am trying to get from you, have they protested on your behalf the new change in the administration of this marketing order?

Mr. RUNZLER. No. We are not that large a user.

Mrs. MAY. I see.

Mr. RUNZLER. We are not a big fish, so to speak.

Mrs. MAY. The impact on them, then, was negligible as compared to the terrific economic impact on you.

Mr. RUNZLER. Yes.

Mrs. MAY. I would like to just follow very briefly one more question following up Mr. Sisk's line of questioning, and again I think—I am not sure I understand your answer to this question, but I will ask it again, then.

If we did not extend exemptions beyond canning or freezing, which will be difficult to do, but if we do come up with a new definition of canning to include the particular process employed by you at Pik-Nik, that would be of help, would it not?

Mr. RUNZLER. Yes.

Mrs. MAY. And you have not explored with your attorneys or advisers this particular approach.

Mr. RUNZLER. We have met three times in Washington with the officials of the Department of Agriculture and they have been unrelenting in their position with regard to this particular definition or definitions that they gave to us.

Mrs. MAY. While Mr. Hedlund is in the room, Floyd, would you mind commenting on that while we are here? Is it possible for this committee, in your viewpoint, to possibly come up not with the far-reaching legislation we have before us but a change in the canning definition that might give relief in this area, and what would be the implications?

Mr. HEDLUND. Mrs. May, certainly the committee and the Congress could change the definition of canning to include the process that Mr. Runzler has described or any other process. Certainly, that could be done and presumably give relief to those who were then exempted.

Mrs. MAY. Thank you.

That is all, Mr. Chairman.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman.

Mr. Runzler, Mrs. May touched on this question that I was going to ask. You indicate that you operate in 13 States other than California.

Mr. RUNZLER. Yes, sir.

Mr. GOODLING. Are you affected by marketing orders in any other area?

Mr. RUNZLER. No. We are not affected by the summer supply of potatoes. California does not have a marketing order where we get our summer potatoes. Does that answer your question?

Mr. GOODLING. Do you have plants in these other States or have potatoes shipped from those States into California?

Mr. RUNZLER. Into California. We have no other plants, just this one.

Mr. GOODLING. From what I have read and heard of this regulation

from the Department, it objects primarily to the fact that you process your potatoes and then can them. Is that correct?

Mr. RUNZLER. Maybe Mr. Hedlund could tell me. Would you repeat that, please, sir?

Mr. GOODLING. I have been told, or at least I read somewhere, probably got this from the Department, that the objection that it has to your method of doing this processing is that you process your potatoes and then can them.

Mr. RUNZLER. Yes, sir. That is primarily correct.

Mr. GOODLING. Well, that brings me to another very important question. What is the status of the chippers in your area or do you not have chippers?

Mr. RUNZLER. We do, and I am sure there are other people here that are qualified to speak on that, sir.

Mr. GOODLING. I would think the Department, to be consistent, should apply the same rules and regulations to chippers because we all know that chippers are processed and then packed. They cannot be packed and then processed.

RUNZLER. Yes. I would agree. They should be consistent.

Mr. GOODLING. I think it is very important to give that thought some consideration because if the Department is going to be consistent, it must apply the same rules to both the chippers and the way you do your processing.

Mr. RUNZLER. That is what we are asking for, sir.

Mr. GOODLING. That is all.

Mr. FOLEY. Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Runzler, I, too, think it is a very fine statement. I also serve on the Government Operations Committee and the research subcommittee of that committee last week held hearings for 4 days on the canning industry. One of the criticisms was, and I think the Department of Agriculture also testified to this, that canners were adding too much liquid, that they were not getting enough content in the cans, that they needed to reduce the amount of liquid. Now—I think I recall the Department of Agriculture saying this—now they are critical because you do not put any liquid in. I wonder if the right hand knows what the left hand is doing. I am a little bit alarmed by what is happening here.

Mr. RUNZLER. So are we, sir.

Mr. MYERS. I can certainly understand. Are there any other companies besides you that are affected?

Mr. RUNZLER. By this marketing order?

Mr. MYERS. Yes.

Mr. RUNZLER. Not that I know of, sir.

Mr. MYERS. Any other processing companies?

Mr. RUNZLER. They can have a competitive advantage but to the best of my knowledge, there are no other companies affected by this marketing order.

Mr. MYERS. What is a U.S. No. 1 B? In size is it bigger than a walnut or—

Mr. RUNZLER. May I ask Mr. Giacomini to generally describe the regulations.

Mr. GIACOMINI. U.S. No. 1 B was known in the trade as an egg,

about an egg sized potato, which is not adequate in size, although it might be adequate in condition or quality to the fresh market. It used to be destroyed or used for cattle feed rather than for the processing that Pik-Nik employs.

Mr. MYERS. And in Mr. Runzler's statement he said there was no other market for this particular potato. Now that you are not buying or cannot, what is happening to those potatoes now, by the producer?

Mr. RUNZLER. Two things are happening to those particular size potatoes. In large measure they are being used as a cull type potato by a local starch plant in the area which is buying them for about 25 cents to the farmer and the farmer hauls them to the starch plant. Under the regulations for the 1968 crop pertaining to marketing order 947, some have been able to buy them. For example, the regulations for the 1968 crop permitted them to be purchased by freezers and canners of which we were considered not to be either, and some of those are being sold in that market. But generally speaking, they are just being dumped or sold for very little consideration at all.

Mr. MYERS. Well, now, you speculated a moment ago about the price and I think you took some figures off the top of your head. No doubt your company has gone into some projection. If you should have to go into marketing orders what would be the increase in the price?

Mr. RUNZLER. Well, we would rather provide those at a later time because I think that is a critical question you are asking and I would rather not give you an off-the-top-of-the-head answer to that question.

Mr. MYERS. Off the top of the head, you mean you have not done any figuring on it?

Mr. RUNZLER. We have some figures on it but I have not got those with me and I would rather——

Mr. MYERS. It is no accident that you did not bring this, was it?

Mr. RUNZLER. It was an accident, yes.

Mr. MYERS. I think I have heard enough. Thank you.

Mr. FOLEY. Thank you very much, Mr. Runzler.

The Chair would like to note the presence in the hearing room of the distinguished chairman of the full committee, Mr. Poage.

At this point, I think we may have to consider the possibility that we are not going to approach the end of the witness list by noon. The hearing will reconvene at 2 o'clock this afternoon under the chairmanship of Mr. Sisk of California. I regret that I am scheduled to be in New York this afternoon and will not be able to continue myself, and Mr. Sisk will continue. Is there anyone who would find it impossible to be here this afternoon? If not, we will proceed with some variance in the witness list. I am going to call on Mr. Ralph Harding, director of the Dehydrated Foods Industry Council. Mr. Harding is a former Member of the Congress and a distinguished former member of this committee. We are very happy to see you.

STATEMENT OF RALPH HARDING, DIRECTOR, DEHYDRATED FOODS INDUSTRY COUNCIL, EMERYVILLE, CALIF.

Mr. HARDING. Thank you, Mr. Chairman. Mr. Chairman and members of the committee, I wish to thank you for the opportunity I have of appearing before this committee in support of H.R. 11243, which

has been introduced by two of my former colleagues, Congressman Edwards and Congressman Gubser of California.

I was raised on a farm in Idaho and have been associated with Idaho farmers and their problems throughout my life. I served one term in the Idaho House of Representatives in 1955-56 and two terms in the U.S. Congress from 1961 through 1965. I am presently a vice president of the American Potato Co. with main offices in San Francisco, Calif., and processing plants in Blackfoot, Idaho, and Moses Lake, Wash. I am a director of the Dehydrated Foods Industry Council, and it is in this capacity that I appear here today to testify for S. 2214. Our executive secretary has polled the potato members of our council and found them to be unanimous in their support of this legislation.

It is our feeling that this legislation merely updates the historical exemption that canners of fruits and vegetables were granted from the original Marketing Order Act of 1937. We understand that when freezing had become a major factor in the preservation of fruits and vegetables that Congress in its wisdom extended to freezers of fruits and vegetables in 1946 the same exemption that had previously been enjoyed by the canners. The legislation that you are considering today will extend to dehydrators and other processors of potatoes the same exemption that is presently enjoyed by canners and freezers.

Mr. Chairman, we feel that this is good legislation and that its passage is necessary for dehydrators of potatoes to compete with canners and freezers on a fair and equitable basis. It has been suggested here today that this could be accomplished by removing the exemption which the canners and freezers currently enjoy. This would be a terrible mistake. As I understand it, the original reason for this legislation was to correct an injustice that was done to the Pik-Nik Co. of San Jose, Calif. which resulted in their plant being closed temporarily because of restrictions resulting from a potato marketing order which applied to Pik-Nik but did not apply to other shoestring manufacturers with whom they were competing because they purchased their potatoes in different sections of the country.

Therefore, the removal of the canning and freezing exemption would not correct this in any way. Further, it is important to understand that the potato marketing orders, where in existence, are regional. Many potato-producing areas do not have marketing orders. In other areas they are inactive and in those areas where they are in existence, they have different regulations and provisions.

Members of our association have no objection to potato marketing orders as long as they continue to operate as they have in the past and are applied only to potatoes for the fresh market. However, we are definitely opposed to marketing orders being applied to processors because this cannot help but give one processor an unfair advantage over another processor because of the difference in marketing order regulations in the many areas in which competing processing plants are located. Therefore, we feel this legislation is not just in the interests of Pik-Nik Co. but it is in the interest of all processors of potatoes, dehydrators, and potato chippers and anyone who utilizes potatoes. Now, I would like to add for the record a definition of other processing. The legislative history should make it clear that the term "other processing" is intended to refer to operations which commonly involve the application of heat or cold to such an extent that

the natural form or stability of the potato undergoes substantial change. And this is true in chipping, dehydrating, and the manufacturing of shoestrings.

Mr. Chairman, one other question I would like to answer that was raised by Mr. Hedlund earlier was that marketing orders are successful because they are employed by many areas of the country, and this is true, but there are many areas that have rejected marketing orders and that have caused their marketing orders to be inactive. Now, it is true that now we have an order in Idaho that we certainly have no quarrel with because it does not regulate the processors. There are attempts to change it to make it regulate the processors and that is why we feel this legislation is urgent. There is an order in Washington that has the authority to regulate the processors but does not. But in Maine their order is inactive and in North Dakota, and in Minnesota, and in the district of the gentleman from California, Mr. Sisk, marketing orders have been voted out. So, I do not want the impression to be left here that marketing orders are the salvation of the potato farmer. In areas such as Idaho where the farmers want them and use them, we certainly support their utilization to build the image of Idaho potatoes and to promote the quality of their product.

In conclusion, Mr. Chairman, one other thing I would like to make clear is although this has happened to Pik-Nik today, it can happen to any dehydrator tomorrow. For example, there is in Washington State, Pronto Foods Co., a dehydrator of potato flakes. In my home State of Idaho, Idaho Fresh-Pak dehydrates potato flakes, and in the Red River Valley, Pillsbury dehydrates potato flakes. If in any of these areas a marketing order is put into effect that says that one of these dehydrators cannot use field-run potatoes and must use U.S. No. 1 potatoes, they would find themselves in exactly the same position that Pik-Nik is in today. And I would like to further point out that this has been talked about here by Mr. Hedlund and others as a sweeping change which is not so, because the only area in which processors are being regulated as to what potatoes they can use today is in the Klamath Basin, and I would say that rather than help the producer, this regulation has hindered the producer's ability to market his crop.

I heard yesterday in an informal conversation with Mr. Lovins from the State of Washington that they had gone down to the Klamath Basin and purchased potatoes down there and shipped them to the State of Washington for freezing because they could buy them in the Klamath Basin cheaper than they could buy them in the Columbia Basin, and if we were to follow the suggestion of Mr. Hedlund and take away the exemption that freezers enjoy, then they would not have been able to do that.

Of all of the russet producers in the West, the Klamath Basin, because they regulate potatoes going to processors, this last year enjoyed the lowest return to their growers of any russet-producing area. Idaho, with freedom for their processors, had the highest. Washington, with freedom for their processors, had the next highest.

In Idaho when a farmer produces his crop, he can sell it on the fresh market, he can sell it to a freezer or a canner or to a dehydrator or to a chipper or to a shoestring manufacturer without regulation, and that is the same freedom that we are asking for all farmers and all processors nationwide. The same is applicable today in Washington but in the Klamath Basin these farmers can sell only on the fresh

market or to canners or to freezers as far as the processing grade or the size B portion of their crop is concerned. And if you were to follow the suggestion of Mr. Hedlund, they would not have even been able to sell to the freezer.

So, Mr. Chairman, I feel that this is good legislation and I would urge the committee to act favorably on it. I think it is important to the entire potato industry nationwide.

Thank you, Mr. Chairman.

Mr. FOLEY. Thank you, Mr. Harding.

Mrs. May?

Mrs. MAY. Mr. Harding, I gather that you do not agree with the Department's statement that this bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to the producers?

Mr. HARDING. I certainly do not. I think the best way to strengthen returns to producers is to allow them to have as broad an area as possible into which they can market their crop, and I think if the producer has the alternative of selling on the fresh market or to a canner or freezer or dehydrator or chipper or shoestring manufacturer on a bargaining basis without any restriction, that is how he is going to achieve the highest return for his crop.

Mrs. MAY. Thank you, Mr. Harding.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. FOLEY. Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman.

Just one question. As I pointed out to the previous witness, the chief objection apparently from the Department stems from the fact that the Pik-Nik people process their product and then can it. Is it not true that all dehydrated potatoes are first processed and then packaged?

Mr. HARDING. That is very true, and in the dehydration of potatoes, extreme heat is applied, and we have canned them and nitrogen packed them and we joined the National Canners and have been paying dues for about 8 years, the company I am associated with, in the hopes that some day we might be recognized as a canner if this thing ever got tough. But from a practical matter, if improved packaging comes along and we can put our product in a milk carton or maybe in a vacuum packed piece of cellophane, and we can pass on to the consumer considerable packaging savings, should we be denied the right to do that because of a strict definition of canning? And that is why I think the only fair and equitable thing to do is to exempt all potatoes for processing from marketing orders and put us all on the same basis.

Mr. GOODLING. I think this is a very serious aspect of the ruling from the Department. It includes one and not all, but it could eventually include your organization and might, conceivably force a lot of people out of business.

Mr. HARDING. It is very possible and I would predict if this legislation is not passed, that if the choice of the committee was to try and change the definition of canning to include Pik-Nik, that very shortly with marketing orders varying around the country, in the future you are going to be faced with dehydrators that are in exactly the same competitive crisis as Pik-Nik. There is going to be confusion and chaos in the industry. That is why I support this legislation.

Mr. GOODLING. That is all, Mr. Chairman.

Mr. FOLEY. Mr. Myers?

Mr. MYERS. Mr. Harding, a moment ago the representative from Pik-Nik said that the U.S. No. 1 B potato now was being sold to the starch industry and that they were not being lost. Are you familiar if the sale is through a marketing order?

Mr. HARDING. Well, yes. In the marketing order area, and that is the discrimination, they can sell in the Klamath Basin marketing order area to processors in that area, and that includes for processing into starch without restriction.

Mr. MYERS. They are not excluded from the marketing agreement.

Mr. HARDING. They are excluded from the marketing agreement in the Klamath Basin.

Mr. MYERS. The starch industry presently buying the questionable potato here in the Klamath Basin is excluded from the present marketing agreement.

Mr. HARDING. That is right. And Pik-Nik would be excluded too, if they were in the Klamath Basin. If their plant was located in Oregon, they would not have this problem.

Mr. MYERS. You mean, they could have themselves excluded if they were in Oregon?

Mr. HARDING. If they were within the Klamath Basin marketing order area, right.

Mr. MYERS. Interstate commerce.

Mr. HARDING. No. The fact that the marketing order committee has provided that they cannot ship this size B No. 1 potato outside of the marketing order area.

Mr. MYERS. I guess we are going to have those marketing order people later, so I will ask the questions then.

Thank you.

Mr. FOLEY. Thank you very much, Mr. Harding. We appreciate your testimony.

I think perhaps to bring a little equity into the arrangement I am going to vary from the witness list and take some opponents of the legislation so as not to make all those who take the opposition stance wait until the late afternoon.

I will call now on Mr. Harry L. Graham, representing the National Farmers Organization.

I might say to all the witnesses that we are going to have some difficulty finishing even with an afternoon session. We have so far gone through only five witnesses in an hour and a half. Those witnesses who wish to will be able to place their statements in the record and to make appropriate extemporaneous remarks from their printed testimony.

Mr. Graham, it is always a pleasure to see you. I think all the subcommittee members know that Mr. Graham, the former distinguished representative of the National Grange, is now representing the National Farmers Organization. His experience and competence, I am sure, will serve the N.F.O. as well as they served the National Grange.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, THE NATIONAL FARMERS ORGANIZATION

Mr. GRAHAM. Thank you.

Mr. Chairman, members of the committee, for the record, I am Harry L. Graham, legislative representative of the National Farmers Organization. The NFO is an organization, an association of farmers whose purpose and program is to block together enough of their production of any and all agricultural production that they can collectively bargain together for improved prices.

We are convinced that the ultimate victory in the perpetual battle for farm price is to be found in the use of the proven techniques of collective bargaining, but we are very much aware of the contribution which can be made by the proper use of the powers and the authority of the State and Federal Governments to maintain some stability in the highly volatile agricultural markets.

This is especially true in relationship to those markets where it is easy for the giant processing industries to bring unwarranted economic pressure on segments of the production and thereby destroy any possibility the farmers may have had to obtain a fair return for their production.

Certain commodities are particularly vulnerable because parts of their production are put to different uses. Oranges, apples, milk and potatoes fall within this category because they are used both in their natural state and for processing into forms which are partially or completely prepared for use.

Before the passage of the Agricultural Act of 1937, even when only a minor section of the production went into the processing uses, this was always priced at the so-called surplus prices which was almost invariably lower than the prices paid for the product when it was used in its original form. The net effect of this system was to drive the prices for all of the production of a given commodity down to the level paid for that which went into surplus or manufacturing usage.

The Agricultural Act of 1937 provided a method which could be used when desired to isolate the production which went into processing from that which was used in its original form. This was by using market orders, developed through a "hearing" process at which all segments of the industry was represented, including the general welfare, and which could be instituted only after a two-thirds majority of the producers approved of the projected order through a referendum.

Such market orders function by classifying the product according to usage, pricing it according to this use classification, and thus permitting that which goes into manufacturing usage to carry a different and lower price when the necessity for this is indicated in the evidence presented at the hearings.

Such orders can also be used to control grade and quality and to indicate the usages to which each can be put and to prohibit the use of some grades and quality which would not be in the general interest.

At the present time, about one-half of the potatoes being marketed in the United States are moving under either State or Federal market orders or both. Other areas have used market orders and have rejected them when they did not seem to answer the particular problems of their areas.

The NFO does not pretend to suggest that all of any commodity should come under a market order. In fact, we would not contend that any part of some commodities should be so ordered. What we do contend is that this method should be available when it is needed to solve the problems of disorderly marketing.

We recognize that there is a certain unfairness in the present law which excludes potatoes used for canning and freezing from the provisions of the order. However, the most obvious solution is to extend the provisions of the order to include these, and thus put all potatoes used for processing on an equal basis. This committee has been the necessity of eliminating some of the exclusions written into the original legislation, and we trust that the very desirable trend which we have witnessed during the past few years will continue.

May I insert into the record one paragraph that was part of the Department of Agriculture's statement in 1962 as it considered this legislation in its opposite application.

Recent history and present expectations indicate that the use of potatoes for canning and freezing will continue to expand because the expected expansion in the demand for canned and frozen potatoes, the effectiveness of a marketing agreement and order would be strengthened if authority were included to regulate the handler of potatoes for the purpose of canning and freezing as well as for fresh market consumption.

What we are saying here, and what this report in 1962 said, is that the elimination of all potatoes that are used for manufacturing purposes from an order would render virtually ineffective the order. The primary purpose of the marketing orders in the past, has been to regulate all of the commodity and it just makes as much sense to eliminate the potatoes used for manufacturing purposes as it would to eliminate all milk that was used for manufacturing purposes from the Federal milk marketing orders. There would then be no marketing order of any value whatsoever at that time.

The purpose of the marketing order is to take this production which is classed at a lower use classification and put it on the market in such an orderly fashion that this so-called surplus over the grade A demand does not destroy the market for the total crop. And this, of course, if the purpose of this bill was carried out, would be exactly what would happen.

We would also point out to the committee and to the agricultural producers that there is considerable evidence that the processing industry is using this potato bill as a test case. If they are successful in turning back the clock of economic legislation on this issue, they will return repeatedly with requests to eliminate from market orders all vegetables and fruits and dairy products now used for manufacturing purposes.

At a time when the producers of agricultural products are under terrific and increasing pressure from the so-called cost-price squeeze, farmers can ill afford to permit even one breach in their carefully developed marketing programs.

In this case the issue is clear as it comes before the Congress. Either the Congress takes the side of the farmers who are already extremely hard hit financially, or it takes the side of the processors in their eternal struggle to exploit the farmers. We do not fault them for trying to gain an extra economic advantage. The NFO is engaged all of the time in negotiating with them concerning the conditions of the sale

of agricultural commodities, including potatoes. We are not surprised by this move nor are we overwhelmed.

We are prepared to fight for adequate farm prices on every front which the processors choose. We are not unaware of their financial and political power. But we trust the fairness of the Congress which it has repeatedly demonstrated to not further upset the already unequal balance of power by ruling in favor of the concentrated economic might which does not consider either the welfare of the farmers or of the consuming public.

Mr. Chairman, may I make a couple of comments on some of the statements that have been made here this morning. We are very well aware of the concern for 30 workers in one processing plant but we point out to the committee that the action which is being suggested here will adversely affect 300,000 potato producers. There is this little matter of arithmetic which I think we ought to remember. The prices of the canned potatoes going up to 10 times the present prices as was mentioned by one of the witnesses, of course, is ridiculous. The cost of the raw product does not constitute that much of the total cost. We are all aware of that. I do not know what the cost of the raw product does include—how it breaks down in terms of potatoes used for processing—but some of the prices that they have been able to obtain these potatoes for indicate that there is very little relationship between the price that they pay for the potatoes and the price which they charge the consumers.

There was concern expressed about the wasting of the potatoes of the lower quality when the world is hungry. May we suggest to you that the use of potatoes for cattle feed is no more wasteful than the use of wheat that does not conform to the standards for milling for cattle feed. We are doing that all the time. This is nothing unusual at all.

If we used the original bill that was introduced by Congressman Johnson and Congressman Ullman in 1962, we would not be creating an unfair advantage to some processors who were not under the marketing orders. We would point out that there are also a number of situations in which producers are placed at an unfair advantage. Our friends in the industry who are faced with this, when they are talking to producers, are always quick to tell us if these fellows cannot compete they ought to get out. We are not going to be as rough on them as they are on us, but there is a certain amount of competition that can be carried on and we are sure that they are carrying it on at the present time.

The unfair advantage that the processors might have over other processors, I think, is more than offset by the unfair advantage that this bill would give the processors over the whole field of producers, and a very small number of processors, therefore, could have a great deal of adverse effect on some 300,000 producers.

The farmer has the right, we believe, and this is exercised through a marketing order, to decide not to sell that part of the production which he has which could destroy his other market. Now, this is the basic threat we are talking about, whether or not we should set up a system in which he is forced to sell that part of his production which would destroy his market or whether he has a right to not sell if it would destroy his market. We say he should not be forced to sell if it destroys his market and I think this is what was underlying the think-

ing of the Congress at the time it passed this act in 1937 and as it has repeatedly amended the act in the days that have gone by since that time.

Mr. Chairman, members of the committee, we have had some experience with this committee before and we are not unaware of the great contribution it has made to the welfare of agriculture in the areas in which it has had a responsibility, in the areas in which it is concerned, and we are not particularly worried that you are going to change the trend of Congress in the last few years to expand the market orders to bring more commodities and more of the different commodities under market orders rather than to go in the other direction. We would suggest that as an alternative, of course, we use the bill that was introduced by Mr. Johnson and Mr. Ullman back in 1962.

The language of the bill is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended as follows:

Section 8c(2) is amended (a) by inserting before "grapefruit", where it first appears "potatoes", and (b) by striking out "asparagus," and inserting in lieu thereof "asparagus and potatoes".

We submit this for the consideration of the committee as they are trying to determine the issue which is clearly drawn between these two completely opposite positions, one on the part of the processors, the other on the part of the producers. We do not envy you the necessity of playing Solomon in cases like this but this is the responsibility which you assume and we are also assuming that you will discharge it with your usual good sense.

Mr. FOLEY. Thank you very much, Mr. Graham. Always a pleasure to have you appear before the committee.

Mr. Sisk?

Mr. SISK. Mr. Chairman, I commend the witness on his defense of marketing orders and the good they have done.

I have no questions, Mr. Chairman.

Mr. FOLEY. Mrs. May?

Mrs. MAY. I have no questions.

Mr. FOLEY. Mr. Jones?

Mr. JONES. No questions.

Mr. GOODLING. No questions.

Mr. FOLEY. Thank you very much, Mr. Graham. We appreciate your testimony.

We revert to the regular order of the witness list and will call now on Mr. Francis X. Rice, president of the Potato Chip Institute International, Hanover, Pa. Mr. Rice.

I note that Mr. Rice is a distinguished constituent of a member of this committee, Mr. Goodling, and I will yield to the gentleman from Pennsylvania.

Mr. GOODLING. Mr. Chairman, if I may say just a word before Mr. Rice proceeds, we are happy to have you here before this committee, Mr. Rice, and I want to point out to this committee that he does represent a very big and responsible industry in my area, along with other chip people. I trust this committee will not do anything that is going to ruin a perfectly good industry at this time.

Mr. SISK (now presiding). Thank you, Mr. Goodling.

Mr. Rice, you may proceed.

STATEMENT OF FRANCIS X. RICE, PRESIDENT OF THE POTATO CHIP INSTITUTE INTERNATIONAL, HANOVER, PA.; ACCOMPANIED BY MELVILLE EHRLICH, ATTORNEY

Mr. RICE. Thank you, Mr. Chairman, Mr. Goodling.

Mr. Chairman, committee members, my name is Francis X. Rice and I am the president and treasurer of the Utz Potato Chip Co., Inc., of Hanover, Pa.

I am the president of the Potato Chip Institute International on whose behalf I am making this statement, to submit its views with respect to H.R. 11243. This is a bill to exempt potatoes for processing from the provisions of the Agricultural Marketing Agreement Act of 1937, as amended.

The Potato Chip Institute International is a trade association of manufacturers of potato chips and includes in its membership the producers of approximately 90 to 95 percent of the entire production of potato chips in this country.

The importance of the potato chip industry in the use of potatoes is demonstrated by the Irish potato utilization report issued September 10, 1968 by the statistical reporting service of the United States Department of Agriculture, which shows that in the fiscal year July 1, 1967 to June 30, 1968, potato chips used 32,454,000 hundredweight of potatoes.

Under these circumstances, no argument is necessary to demonstrate that the potato chip industry constitutes a large and important outlet to growers for their potato crops.

The potato chip industry competes with dehydrators, freezers, and to some extent with canners and other processors in purchasing potatoes from growers. As the law now stands, potatoes for canning and freezing are exempt from marketing order controls, but potatoes for chipping and other processing are not exempt. This is discriminatory against potato chip manufacturers and processors other than canners and freezers.

Under marketing orders, sizes which chippers can buy may be restricted, without such restrictions being applicable to canners and freezers. Size restrictions are unduly burdensome. Potato chips, particularly for the smaller packages, may be made from potatoes as small as $1\frac{5}{8}$ inches in diameter. In fact, for small packages such as those that go in a school child's lunchbox, chips made from the smaller potatoes are more practical and desirable. Assuming the potatoes to be of equal quality in their raw state, the smaller potato will make just as good potato chips as the larger potato. But size restrictions under a marketing order may prevent these smaller potatoes from being available.

Further, under marketing orders, incoming raw potatoes purchased by chippers will be subjected to compulsory inspection. This causes undue delays in shipments since chip suppliers are frequently not in concentrated production areas and the availability of inspectors is somewhat uncertain.

Inspection serves little or no purpose as far as potatoes for chips are concerned. Size may be determined by inspection, but as already pointed out, potatoes as small as $1\frac{5}{8}$ inches should be permitted to be used. Inspection for quality is essentially meaningless. The appear-

ance of the potato is completely unimportant for chipping, although it might be important for potatoes for table use. Quality for chipping cannot be determined by visual inspection, since quality for chipping is largely dependent on storage conditions and storage temperatures, rather than on any condition visually apparent.

Further, it is quite apparent that increased costs to shippers may well have to be passed on to consumers. Costs of the control of potatoes for chipping, costs of delays and inspections and possible increases in cost due to prohibition of the use of certain sizes, might necessitate increased prices to consumers.

Therefore, because of the fact that the proposed legislation removes the discrimination between chippers on the one hand and canners and freezers on the other and for the reasons already stated, the Potato Chip Institute International supports the proposed amendment.

Mr. SISK. Thank you, Mr. Rice, for your statement. The gentleman accompanying you, does he have a statement?

Mr. EHRLICH. No, thank you, Mr. Chairman. I might make just one comment.

Mr. SISK. Will you identify yourself by giving your name?

Mr. EHRLICH. Mr. Melville Ehrlich, counsel, Potato Chip Institute International.

I just want to correct one impression that we were talking about, some 200-odd thousand affected potato growers. I think Mr. Hedlund would agree, as the hearings brought out some years ago, there are only about 22,000 growers that grow 95 percent of the potatoes in the country and most of the hundreds of thousands that we hear of are the little half acre or family plots that really have no place in this picture in any way.

Mr. SISK. Thank you for that comment.

Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. The gentleman from Pennsylvania, Mr. Goodling.

Mr. GOODLING. Just one comment, Mr. Chairman. As I pointed out, when a former witness testified, size of potato does not necessarily have anything to do with quality. I have been associated with fruit growing practically all my life and when I personally want to eat an apple, I go to my storage and get a 2½-inch apple rather than a 3½-inch apple, and the same thing is true in potatoes. Size does not necessarily have anything to do with the quality. I think you brought that out very plainly here and I think it should be stressed.

I think we should also restate the fact that the chip industry is using 32,454,000 hundredweight of potatoes annually and that is a lot of potatoes.

Do you by any chance have any figures as to how many potatoes are consumed right in our county by the chip people?

Mr. RICE. No, not really any actual factual figures, although it is an awful lot of potatoes growing there, and I would say that 90 percent of them do go into the processing of potato chips because there are very few of them that go on to the fresh market.

Mr. GOODLING. Is it not also true that in our area, and you spoke of lack of inspection, is it not also true that many of the farmers dig their potatoes, put them on their own truck, deliver them to you, and dump them into your bin?

Mr. RICE. That is right. We agreed to return potatoes that are not of quality to the farmers but we grade these potatoes right at our plant, and most of the processors in the area do the same thing and this is quite a saving to the farmer because really a lot of them are not big hundred acre growers but there are a lot of them that are 30, 40, 50, 60, and so on, acres of potatoes grown by these individuals. It would be a hardship on these farmers to have to retain potatoes of size under two inches. Frankly, in our area I do not know what they would ever do with them.

Mr. GOODLING. That is all, Mr. Chairman.

Mr. SISK. Mr. Rice, I would like to ask one quick question. Approximately what were your costs during the past year on the type of potato you are discussing—this 1 $\frac{5}{8}$ -inch potato? Per hundredweight, what are you paying for that kind of potato on the present day market?

Mr. RICE. This varies widely.

Mr. SISK. I recognize it would but in your area what are you paying?

Mr. RICE. In purchasing in our own particular area, the average price of—we buy them field run really. We do not buy just inch and five-eighth potato. We buy anything from there on up and our average price will run \$2.25 to \$2.50 per hundred.

Mr. SISK. \$2.25 to \$2.50 per hundredweight is the average price you have been paying?

Mr. RICE. Right.

Mr. SISK. For comparison, do you know offhand what the grower has been receiving for the No. 1 grade size A in the fresh market?

Mr. RICE. Well, actually, this price would almost hold true for the fresh market in our area also. He would not receive any more. We pay top market price, really.

Mr. SISK. In other words, in your area, there is really no differential.

Mr. RICE. No.

Mr. SISK. Is that because you are buying a field run?

Mr. RICE. Right.

Mr. SISK. All sizes.

Mr. RICE. Right.

Mr. SISK. Thank you very much for your testimony.

In view of the fact that it is now 12 o'clock, the committee will stand in recess until 2 o'clock this afternoon at which time we hope to hear the balance of the witnesses.

(Whereupon, at 12 noon, the subcommittee was recessed, to reconvene at 2 p.m., this day.)

AFTERNOON SESSION

Mr. SISK. The committee will come to order.

We are delaying temporarily. We do have another member or two on their way, and I am sure they will be here shortly.

During the consideration of the bill this morning, a question was raised regarding prices paid for various types of potatoes. At this time I would like to recall Mr. Runzler to the stand.

I understand you now have some figures with reference to that question, Mr. Runzler, so if you would come forward and give us those figures just for the record, we would appreciate it.

STATEMENT OF FRANK RUNZLER, GENERAL MANAGER, PIK-NIK FOODS, SAN JOSE, CALIF.; ACCOMPANIED BY ANTHONY GIACOMINI, ATTORNEY—Resumed

Mr. RUNZLER. I believe the question was how much would you have paid for U.S. No. 1—A size potatoes from the Klamath Basin area this past winter? Is this correct?

Mr. SISK. That is right. Since we were discussing the Klamath area I thought we could get a comparison of the relative prices you would have to pay for the class A size as against the type of potato that you normally would be buying.

Mr. RUNZLER. Mr. Giacomini called our broker who is our supplier in San Francisco and the price that we would have had to pay was \$4.45 a hundred weight delivered into San Jose.

Mr. SISK. That is for A size potatoes?

Mr. RUNZLER. One hundred pound sack of A size potatoes.

Mr. SISK. That was your price delivered. You do not have the exact price that was actually paid to the grower.

Mr. RUNZLER. No, sir; I don't.

Mr. SISK. Now, what were you paying or what would you have been paying for the B size?

Mr. RUNZLER. In previous years during the winter months our prices ranged delivered in San Jose \$1.60 to \$1.85 a hundredweight.

Mr. SISK. And again you are not aware of actually what the grower received in the field for that B grade?

Mr. RUNZLER. No, sir. We buy them all on a delivered basis.

Mr. SISK. Later we will have grower witnesses who probably can give us an estimate. In other words, then, the figure is \$4.45 for the A size.

Mr. RUNZLER. \$4.45.

Mr. SISK. Which would have been the price you would have had to pay during this last year.

Mr. RUNZLER. Yes.

Mr. SISK. You wouldn't by any chance have those relative figures for the year before, 1967, as a comparison?

Mr. RUNZLER. On the A size?

Mr. SISK. Yes.

Mr. RUNZLER. No, sir.

Mr. SISK. I know, of course, these prices on potatoes do vary from year to year depending, of course, on the quantity produced and the amount of surplus.

All right. Thank you.

Mr. MYERS. Mr. Chairman, would you yield?

Mr. SISK. Yes.

Mr. MYERS. I got into this just as you were giving us this information. As I understand, this year would have been \$4.45 per hundredweight for A, U.S. No. 1A.

Mr. RUNZLER. Yes, sir.

Mr. MYERS. And in 1967 you say that you were paying \$1.60 to \$1.85 for U.S. No. 1B.

Mr. RUNZLER. Yes.

Mr. MYERS. What was the comparable price in 1967 for U.S. No. 1A?

Mr. RUNZLER. I do not know.

Mr. MYERS. This doesn't tell us a whole lot. To me it doesn't.

Another thing, how much would this affect your price of the can of shoestring potatoes that you are selling? You show a triple here but this isn't really relative, I don't think.

Mr. RUNZLER. What would this \$4.45 price do to what I would have to charge? Is that the question?

Mr. MYERS. Yes. That is my question.

Mr. RUNZLER. Well, we got the price for you now, sir. As the price goes up, \$1 a hundredweight increase on price, on raw product, increases my case cost by 30 cents a case. In other words, if I went from \$1.60 to \$4.45—this is approximately \$3, not quite—this would increase my cost approximately \$1.

Mr. MYERS. A case of 24 cans, a cent and a quarter a can, increase in your cost.

Mr. RUNZLER. That is right.

Mr. SISK. If the gentleman will yield—did you say a cent and a quarter a can?

Mr. MYERS. 30 cents per case.

Mr. RUNZLER. Excuse me. It is—on a dollar increase it is 30 cents a case, so on a \$3 increase, it would be 90 cents a case.

Mr. MYERS. But you are talking about two different rates here. You are getting B's this year and A's, is this right, or B's 2 years and A's this year.

Mr. RUNZLER. We never purchased any A's. We couldn't afford to.

Mr. MYERS. The \$4.45 then this year would be your price for No. 1B.

Mr. RUNZLER. A. B's are not available. That is why I am here.

Mr. SISK. They cannot purchase B's this year under the ruling.

Mr. MYERS. You were buying No. B's in 1967 for \$1.60, \$1.65.

Mr. RUNZLER. Yes, sir.

Mr. MYERS. I don't think your prices are comparable. They don't tell me much anyway. You are talking about cats and dogs.

Mr. RUNZLER. I cannot afford to pay—with \$2.50 a hundredweight cost I break even.

Mr. MYERS. May I ask one more question?

Mr. SISK. Yes. Go right ahead.

Mr. MYERS. This morning I asked you folks about the B's and you said they went to the starch market. Were there any B's sold within the marketing area, the marketing order areas, this year?

Mr. RUNZLER. I believe there were some sales to the starch plant in Klamath Basin area.

Mr. MYERS. But you don't know what price.

Mr. RUNZLER. No, sir; I do not.

Mr. MYERS. And they were through marketing orders, through marketing agreements.

Mr. RUNZLER. A processing plant located within the area affected by the marketing order is not subjected, and that is why they could use that.

Mr. MYERS. Regardless of whether it is a canner or a freezer. It makes no difference.

Mr. RUNZLER. If it is a processor, he can purchase it.

Mr. SISK. The gentleman from Tennessee?

Mr. JONES. No.

Mr. SISK. Mr. Runzler, thank you very much for your statement. I am inclined to agree that we would have had a better picture if we had figures for the 2 years. I recognize the problem here. We are

quoting actually grade A potatoes, size A, in 1968, which I understand was substantially higher than in 1967. Is that generally true?

Mr. RUNZLER. Yes, I believe it is.

Mr. SISK. So it is a little difficult to judge. As we get some of these growers on here, we are interested in actually what the grower is receiving. Maybe we can further define these figures.

Thank you, Mr. Runzler, very much for obtaining this information for us.

Mr. RUNZLER. Thank you.

SUPPLEMENTAL STATEMENT OF FRANK RUNZLER, GENERAL MANAGER, PIK-NIK FOODS, SAN JOSE, CALIF.

To further inform this Sub-Committee, I present the following facts in addition to my oral testimony at the hearings held on June 9, 1969:

1. Average estimated net payments to farmers for US No. 1 B size Russet potatoes from the Klamath Basin for canning and freezing use (as distinguished from cow-feed or starch use) from the 1967 crop were 25 cents to 40 cents cwt. The net prices paid these farmers for Russet type potatoes for the same use from the 1968 crop ranged from 35 cents to 60 cents cwt. These payments resulted in 1967 average delivered prices to San Jose, California of \$1.60 to \$1.85 cwt. Projected delivered prices to San Jose, California for these same potatoes from the 1968 crop would have been \$1.60 to \$2.05 cwt.

2. Average prices paid to Klamath Basin farmers for US No. 1 A size Russet potatoes from the 1967 crop were \$1.76 cwt. as compared to \$3.25 cwt. for the 1968 crop potatoes. With a break-even point of \$2.50 cwt. delivered cost to PIK-NIK CO. in San Jose, California we could not have purchased this size of Russet potato because 1967 costs would have been at least \$2.62 cwt. Average and projected average costs for the 1968 crop would have been a low of \$4.07 cwt., with a high of \$4.67 cwt.

3. The potatoes used by PIK-NIK CO. must be of a suitable composition possessing good cooking quality in the trade sense (not in the housewife's sense). This cooking quality is determined by the composition and type of potato—not its appearance nor grade except, of course, rot must not be present. For our specific business a Russet type potato is essential. Our requirements of a US No. 1 B size are based solely upon price. As the size of the potato goes up, the price increases. So, also, do the brokerage costs because more outlay by the broker is required involving larger expenditures and greater interest factors. Brokerage cost for US No. 1 B size potato is 10 cents per cwt., while the same cost for US No. 1 A potato is 20 cents per cwt. Loss factors are 5 cents per cwt., average freight of 45 cents per cwt., and bag costs for used bags of 12 cents per cwt. bag remain the same regardless of the size of the potato.

4. Our sources for the above information are as follows:

(a) Farmer prices for US No. 1 B size potatoes: Cecil Ullom, Statistician, Statistical Reporting Service; U.S. Department of Agriculture, Portland, Oregon (unpublished data including cull sales); Wesley McKaig, Handler Member, Oregon-California Potato Committee; Cecil Cheyne, President, Klamath Potato Distributors, Inc.

(b) Farmer prices for Klamath Basin US No. 1 A potatoes: Cecil Ullom, Statistician, Statistical Reporting Service.

(c) Delivered prices for US No. 1 A's and brokerage costs: George L. Burger, Potato Broker, 52 Valajo Street, San Francisco, California.

Mr. SISK. At this time the committee will be glad to hear from Mr. Leon Jones, president of the Potato Granule Association, San Francisco.

Mr. Jones?

STATEMENT OF LEON JONES, PRESIDENT, POTATO GRANULE ASSOCIATION, SAN FRANCISCO, CALIF.

Mr. JONES. My name is Leon Jones and I am here today to testify in behalf of the Potato Granule Association, I am president of the

association and our membership comprises 100 percent of the potato granule manufacturers in the United States.

My home is in Caldwell, Idaho, where I am president of the Food Products Division of the J. R. Simplot Co., I have been associated with the J. R. Simplot Co. since 1942 and have been active in the growth of the potato processing industry since that time. I have served as president of the National Association of Frozen Food Packers and on two occasions as president of the Northwest Cannery & Freezers. I have also served as a director of the National Cannery Association. In addition, I was one of the founders and have served three times as president of the Frozen Potato Products Institute.

I am here today to testify in support of H.R. 11243. I know that this legislation is in the best interest of the entire potato industry. This includes potato growers, potato processors, people who work in potato processing plants, as well as the consumers of our finished products. This legislation will expand the exemption from marketing orders to exempt all processors of potatoes. This is the same exemption that is presently enjoyed by freezers of potatoes. I feel that one of the reasons that the frozen potato industry has achieved the great growth and success that it enjoys today is because we have not been restricted and controlled by unworkable marketing orders. Frozen french fry plants are located in all the major potato-producing areas of the United States. The varieties and grades of potatoes in these different production areas vary widely and as a result the prices paid for potatoes also are subject to considerable variation. Therefore, it is impossible to have a marketing order controlling potatoes going to the freezers in one area that would not place the freezers in another area in either a more favorable or a less favorable raw material position. This is why freezers of potatoes have been exempt from marketing orders. As a result of this exemption, not only the freezers, but also the growers of potatoes for freezing have benefited.

However, Mr. Chairman, dehydration is not exempt from marketing orders, and, therefore, the same discrimination that occurred in the potato shoestring industry in which one shoestring manufacturer was placed in an impossible competitive situation by being subject to restrictions that did not apply to their competitors could happen in the potato dehydration industry. It is true that to date there have been no marketing orders applied to dehydration. We merely want to be sure that we will have the freedom in the future to produce potato granules as we have in the past without unnatural and artificial restriction that would create chaos in our industry.

Therefore, Mr. Chairman, the Potato Granule Association strongly urges the passage of H.R. 11243 which is supported unanimously by our members.

Thank you.

Mr. SISK. Thank you, Mr. Jones, for your statement.

The gentleman from Tennessee?

Mr. JONES. No questions.

Mr. SISK. The gentleman from Indiana?

Mr. MYERS. No questions.

Mr. SISK. Regarding pricing, how broadly has the fluctuation been during the past 10 years? I understand you have had vast experience in potato growing, potato buying, and in both the freezing and de-

hydration process. To what extent has your market from the standpoint of purchases fluctuated during the past 10 years?

For example, what is a high that you have had to pay for processing use as against a low that you have paid in the past 10 years?

Mr. JONES. It would run from about 80 cents a hundredweight to about \$5.80.

Mr. SISK. It has been that wide a fluctuation.

Mr. JONES. That is right.

Mr. SISK. The reason that——

Mr. JONES. That is on a field run basis.

Mr. SISK. The whole purpose of marketing orders is to stabilize pricing. The grower's costs in the last 10 years of production have consistently gone up. Labor has gone up. Taxes have gone up. The cost of machinery has gone up. So how can the grower exist under that kind of a situation? I take it from your statement you feel that marketing orders are not necessary or maybe not too favorable to your particular processing industry. I bring this out to indicate the reasons why marketing orders are made available to growers in the first place to control the very fluctuation that you have indicated.

Mr. JONES. I certainly don't mean to indicate that I am not in favor of marketing orders. I think they have been a great benefit to the producer and especially in the marketing of the fresh potatoes to the market.

However, we are having a very wide swing from the consumption of potatoes in the past whereby the consumption of potatoes per capita was on a steady decline until the advent of a successful processing industry for the potato—in the potato industry whereby we were marketing good, acceptable product at a price that the consumer can afford.

Mr. SISK. I certainly agree. Earlier testimony indicated that we had gone from somewhere below 15 percent of total potatoes that were actually processed in one form or another to 42 percent or higher. Actually we are approaching a time when more than half of the potatoes grown are going to be processed in one form or another; isn't that correct?

Mr. JONES. That is correct.

Mr. SISK. That fact will be of concern to the committee in its consideration of whether or not we continue to justify exemptions from marketing orders. Especially if these orders are going to serve any purpose of stabilizing the price to growers. As more and more potatoes are processed a larger percentage of all potatoes produced in the United States falls in that category. Therefore is there or can there be any workable or operable marketing order that would be anything to the grower if it continues to provide exemptions? Do you follow the reasoning?

Mr. JONES. I follow the reasoning. My answer to that would be this, that I think again we could use a little history but even with our own industry at the present time, the present method of bargaining, of contracting that we are doing, advance contracting with the grower, is going a long way toward taking care of this up and down in the potato market.

We in the processing industry, of course, do not like these wide fluctuations and through the years—as the amount of processing of the potato crop increases, these dips and peaks tend to level out, and it is

being done through the advanced contracting the same as it is in other food processing whereby the bulkier crops are precontracted.

Mr. SISK. Thank you, Mr. Jones, for your statement. We are very happy that our colleague from Washington, Congresswoman May, is here and I believe she has a constituent next on our list.

Mr. Oliver Lovins, if you will come up, I will be glad to yield to the gentlewoman from Washington.

Mrs. MAY. I had just a quick glimpse of Mr. Lovins this morning. We are glad to welcome you to the subcommittee.

Mr. SISK. You may proceed, Mr. Lovins.

STATEMENT OF OLIVER LOVINS, DIRECTOR, WASHINGTON POTATO ASSOCIATION, MOSES LAKE, WASH.

Mr. LOVINS. My name is Oliver Lovins and I reside at 831 South Evergreen Drive, Moses Lake, Wash. I wish to thank the committee for the privilege of appearing today and presenting my testimony.

I have lived in the Columbia Basin for 14 years, and have witnessed the growth and development of the potato industry in our great State during this period of time from the standpoint of grower, fresh shipper, and processor interests. I have been in the potato business for 25 years.

I am the official representative in this matter for the Washington Potato Association, whose address is Building 2321, Andrews Street, Grant County Airport, Moses Lake, Wash.

The Washington Potato Association is a voluntary nonprofit corporation operating in the State of Washington for the mutual benefit of its members and the industry. The membership is composed of the great majority of the fresh shippers and processors in the State of Washington, and particularly the Columbia Basin area. Attached to this testimony is a list of the voting membership of the association.

(The list referred to follows:)

WASHINGTON STATE POTATO ASSOCIATION MEMBERSHIP LIST

American Potato Company	Lovins Produce, Inc.
Anderson Feed & Produce Co.	McGeorge Produce Co.
Andrus-Roberts Produce Co.	Monjonner & Sons, Inc.
Baker Produce Co.	Norman W. Nelson, Inc.
Balcom & Moe	Pacific Fruit & Produce Co.
Basin Produce	Pomme de Terre, Inc.
Better Taters	Pronto Pacific, Inc.
Blue Ribbon Produce Co.	Quality Growers, Inc.
Bonanza Produce Co.	Quincy Produce Co., Inc.
Chef Reddy Foods, Inc.	R. E. Lewis
Elmer Hansen	Skone & Connors
Forney Fruit & Produce Co.	Spada Distributing Co.
Franklin Growers, Inc.	Sunglor Producers
General Potato & Onion Distributors	Sunsliced, Inc.
Gerry Dodge	Taggares Produce Co.
Golden Produce	Walla Walla Gardeners Association
Gordon Bedlington	Walla Walla Produce Co.
Harry Masto Produce	Western Cold Storage Co.
Lamb-Weston of Washington	Yoshino-Western, Inc.
Livingston Produce Co.	

Many of the fresh shippers and processors are also large growers in the industry.

In the 1968 crop year, Washington produced 24,173,000 hundred-weight of potatoes, according to Government estimates, and 74 percent of this production was handled by members of this association.

This association gives its support to legislation to extend to the potato dehydration and chipping industries the same exemptions under the Agricultural Marketing Agreement Act of 1937, as amended, as is now enjoyed by freezers and canners in our industry. We feel that discrimination now exists against the potato dehydration and chipping industries, and can endanger the welfare of those industries. The financial interests of the growers, fresh shippers, and processors can best be safeguarded and enhanced by allowing the potato dehydration and chipping industries the same exemptions as exist for freezing and canning.

We feel it is in the best interests of the consumers of America to be able to buy good wholesome potato products at reasonable prices. Placing restrictions on the potato dehydration and chipping industries will not accomplish this end.

If the potato processing industry is allowed to operate in a free enterprise climate, it will develop new wholesome food products, find new markets, and expand the economic benefits of the industry to the consumers, growers, shippers, and processors alike.

Mr. Chairman, I would like to add something. I have been in the potato business all my life, first as a grower and then a shipper, and we in Washington are in a unique position. We are a long way from Washington. When we meet the quality of our marketing agreements, we in turn have to give either 50 or 30 percent of our potatoes away and we can't make it growing, merchandising 50 percent of our crop. And that is what put me in the processing business.

We had to give our growers much better income by processing this grade of potatoes.

Thank you.

Mr. SISK. Thank you, Mr. Lovins, for your statement.

The Chair will be glad to recognize the gentlewoman from Washington.

Mrs. MAY. Mr. Lovins, if the Pik-Nik Co., which has really been—their situation has been the catalyst for bringing about this bill before the committee—if they had been operating or buying in our Columbia Basin area, do you anticipate that there would have ever been any chance of our marketing order bringing them in under the restrictions that were comparable to the marketing order brought into being in Klamath?

Mr. LOVINS. Our marketing order in Washington wouldn't have stopped them. No. They could have bought in Washington.

Mrs. MAY. Do you think, as I do, the more I hear about this case, that perhaps this area of Oregon made a very great mistake in activating the rules and regulations of this marketing order?

Mr. LOVINS. I believe they did. I think the growers' interest is their return per acre, and if you have to withhold or, I mean, if you have to get back to Washington, it costs you 35 cents to handle these standard potatoes. You get 25 cents from the starch plant, so you lose a dime on those which have to come off the top or come out of what you do market, and for several years I don't see how you could market

50 percent of your crop when you have the extent of 100 percent and be financially sound.

Mrs. MAY. Do you agree with statements that you have heard made this morning, that if the bill under the present wording would fully exempt processors, that all possibilities of an effective marketing order for potatoes would be jeopardized? Could you speak to that a little more?

Mr. LOVINS. No. As far as the fresh operation goes, I don't think it would have any bearing.

Mrs. MAY. Of course, the point is that more and more of our potatoes are going into the processing to meet the demand for more popular potato items.

Mr. LOVINS. It is becoming more that way every year, in the dehydration and I think the frozen.

Mrs. MAY. Perhaps based on that fact, the effectiveness of marketing orders could be jeopardized in the future because there would be less and less possibility of a majority of potato production being subject to marketing orders. Is that correct?

Mr. LOVINS. I would say so. I think possibly—I know in our area we negotiate with the growers' associations just like we do with organized labor. We reach an equitable price that they are happy with and what we can afford to pay, and that is our agreement, and we take in a field run potato.

Mrs. MAY. That is all, Mr. Chairman.

Mr. SISK. Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

Mr. LOVINS, in your association, the Washington Potato Association, are there any producers in this association at all?

Mr. LOVINS. Yes. A producer—what we call grower-shippers. That is people that grow and fresh-pack their own merchandise and in turn sell the processor below, we will say, standard marketing order—below marketing order standards to the processors.

Mr. MYERS. Below marketing order standards.

Mr. LOVINS. Yes. In other words, they sell their 2-inch B's to the processor and down to U.S. No. 2.

Mr. MYERS. But there are now—if I understand your answer correctly, then, there are no producers who just grow potatoes and sell them on the farm to a commission house or something like that. No one who just solely is a producer and not also a processor that belongs to your association.

Mr. LOVINS. Not in this association. However, I did bring back a list of growers that had signed for this bill and this was picked up in a very short time. I think there are around 70 growers—it will be in the record—picked up in a matter of 3 or 4 hours in our locality.

Mrs. MAY. Would the gentleman yield just a moment? I think Mr. Lovins ought to know my office has been deluged with telegrams and letters against the bill in the last 5 days. I am not sure whom they are coming from. I know from the growers, but I don't know how fully expressive this is of that particular growing area.

Mr. LOVINS. I think you will find that every one that was on this list that we brought back is a grower.

Mr. MYERS. I see we have one here this afternoon from Washington,

a Mrs. Voss. I don't know her position, but I was interested—you did represent processors.

Let me ask you, are you a party to the agreements, to the marketing orders for the processors in Washington?

Mr. LOVINS. What do you mean?

Mr. MYERS. Any of these agreements—are you a voting member as a processor or because you also produce?

Mr. LOVINS. As I am a grower I am a voting member.

Mr. MYERS. But not as a processor.

Mr. LOVINS. No.

Mr. MYERS. That is all. Thank you.

Mr. SISK. Thank you, Mr. Lovins.

The next witness is Mr. Reed Hunter, potato grower and shipper, Lewisville, Idaho.

You may proceed, Mr. Hunter.

STATEMENT OF REED HUNTER, POTATO GROWER AND SHIPPER, LEWISVILLE, IDAHO

Mr. HUNTER. Thank you, Mr. Chairman and members of the committee. My name is Reed Hunter. I am a potato grower and shipper from Lewisville, Idaho. I am here to support H.R. 11243.

Last year my brother and I raised over 1,000 acres of potatoes in the Lewisville and Osgood area. We sold potatoes to R. T. French, American Potato Co., Simplot, Rogers Bros., and Idaho Fresh-Pak for procesing. The balance, which was less than 10 percent of the crop, we packed and shipped on the fresh potato market.

That portion of my crop that was sold on the fresh market was sold under the grade and size regulation of the Idaho Malheur County marketing order. I support the continuation of a marketing order for fresh potatoes. I feel it is necessary to promote quality and, as a result, premium price for Idaho potatoes.

However, for the portion of my crop that I sell to the processors, I do not want to be restricted or penalized by any regulations that do not apply to potato growers or processors in other areas.

I urge you and the members of this committee to support this legislation that will guarantee that all processors will be on an equal competitive basis, and the processors who buy my potatoes will not be faced with restrictions that do not apply to processors in other areas.

I feel the passage of this legislation will accomplish this and is, therefore, in my best interest as a potato grower.

I appreciate this opportunity to testify at this time.

Mr. SISK. Thank you, Mr. Hunter.

The gentleman from Tennessee?

Mr. JONES. No questions.

Mr. SISK. The gentlewoman from Washington?

Mrs. MAY. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. Yes, Mr. Chairman.

Ten percent of your crop went under marketing orders; is that right?

Mr. HUNTER. Yes.

Mr. MYERS. Would I be correct in assuming that 90 percent did not measure up to the standards of the marketing agreement?

Mr. HUNTER. No, sir.

Mr. MYERS. Then you could have other potatoes that you could have sold on the fresh market under marketing orders.

Mr. HUNTER. I could have, but I sold to the processors because of the price.

Mr. MYERS. You got a better price from the processor who did not come under the agreement, the marketing order?

Mr. HUNTER. Yes, sir.

Mr. MYERS. That is all.

Mr. SISK. Just one question, Mr. Hunter. One of the concerns over the present regulations is an unfair competitive situation in the coverage of certain types of processors.

Mr. HUNTER. Right.

Mr. SISK. There are two ways to solve that. We can solve it in the direction this bill proposes to go or we can solve it by going the other way and eliminating all exemptions.

Mr. HUNTER. Right.

Mr. SISK. In either case, as far as the processor is concerned, it would become a fair competitive situation; would it not?

Mr. HUNTER. Let me explain one thing. The one reason I would like the processors not restricted is because some years it is virtually impossible to raise a good crop of quality. In other words, if I tried to sell them on the fresh market, I would really be hurt, because there would be so few good choice No. 1's in the crop.

Now, that is due possibly to weather conditions mostly. It might even be due to a bad frost just before harvest. So you might say the processors come in and really help me out and if I had to meet a grade raw with those potatoes, I would get practically nothing for them. But as long as I am able to sell both ways, one within the marketing order fresh and raise good ones, which I would like to do—I would like to raise all No. 1's, if I could possibly do it—we try very hard to do that but sometimes due to weather conditions it is very difficult to accomplish that.

Mr. SISK. I would assume if Congress had some time and in its wisdom decided to eliminate all exemptions, there would probably be provisions to handle the varying grades of potatoes that sell at varying prices. Certainly we would not put a single price on everything.

Mr. Hunter, I appreciate very much your comments.

Mr. MYERS. Mr. Chairman, could I ask one more question?

Why did you sell 10 percent fresh if you got a better price out of the processors? Why not sell them all to the processors?

Mr. HUNTER. Well, we unfortunately got a hurry on the fresh and sold them before we wised up to the fact that the processors would pay us more money.

Mr. MYERS. Would this be true every year or just a particular year?

Mr. HUNTER. No. Just a particular year. Every year varies. We gamble on supply and demand just like this year. We just hope that our supplies don't exceed our demand so that we can get the good prices again this year.

Mr. SISK. If the gentleman will yield, what did you do in 1967 percentagewise?

Mr. HUNTER. I don't remember the percentage but there was more shipped fresh from our warehouse of our own.

Mr. SISK. Was that primarily because of price?

Mr. HUNTER. It is different every year. The percentage would vary according to the price every year.

Mr. SISK. Thank you very much, Mr. Hunter.

The next witness is Mr. Bergeson, secretary-manager, Potato Processors of Idaho, Pocatello, Idaho.

STATEMENT OF F. W. BERGESON, SECRETARY-MANAGER, POTATO PROCESSORS OF IDAHO, POCA TELLO, IDAHO

Mr. BERGESON. Mr. Chairman, members of the committee, I am Bill Bergeson, secretary-manager of the Potato Processors of Idaho.

First I would like to commend the members of this committee for taking the time and being willing to hear all aspects of this important legislative proposal.

Having served two terms in the Idaho Senate, I am somewhat aware of the difficulty you might have in trying to come up with the best solution to all problems that come before your committee. Also having owned and operated a farm in Idaho, I am also aware of the problems that are facing the grower. I fully understand their concern and their sincere interest in finding long-term solutions to their potato marketing problems.

I sometimes think, though, in our anxiety to find immediate answers, we have a tendency to discount the consumer demands wherein lies our long-term solution. To be more specific, the potato processing industry is now tapping an entirely new potato market which can solve our long-range potato marketing problem. Short-range objectives can kill a budding solution in its infancy.

I do appreciate this opportunity to speak briefly in behalf of the Potato Processors of Idaho, who today are processing better than 65 percent of all the raw potatoes produced in Idaho. Inasmuch as this association processes more than the raw product total in any other State, it is one of the largest single voices in the national potato industry.

In addition to my brief remarks, I've distributed a brochure about the Idaho potato-processing industry, a copy of economic facts about potato processing and the processor's analysis as to why H.R. 11243 is vitally needed in order to place the dehydration industry in an equal competitive position with other segments of the potato industry.

The potato processors of Idaho strongly feel that the proposed amendment to the Agricultural Marketing Act of 1937, as amended, is essential to correct a current legislative oversight. The original act exempted canning because it was then the only major method of preserving food. In 1946, freezing had become a major factor in the preservation of food. Therefore, Congress amended the law to give freezing the same exemption from marketing orders. During the past 10 years, dehydration has increased 500 percent and has now become a major method of preserving food. Now, it is only logical to amend the law to keep pace with the progress of the industry.

The brochure I have distributed shows how a regional marketing order can be used as an economic weapon against isolated dehydrators

competing for the nationwide market. Without realizing it, the Marketing Order Control Committee can cause a processing plant to close its doors, and the results of the action defeat the very purpose of the law. Also, the marketing order discriminates against the dehydrator who must compete against the canner and freezer.

Although the association of potato processors in Idaho includes companies which have the advantage of being exempt from the act because of their status as a freezer or canner, the association is unanimous in its endorsement of H.R. 11243.

Mr. SISK. Thank you very much, Mr. Bergeson, for your statement, Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. The gentlewoman from Washington, Mrs. May?

Mrs. MAY. Mr. Bergeson, has your organization ever made any study of what possible price impact the inclusion or the removal of the present exemption on canners and freezers might—what the cost impact might be on the products that are now being produced, dehydrated or canned or frozen?

Mr. BERGESON. I am not aware of any such study. You mean if you turn and go in the other direction?

Mrs. MAY. If we turned and went in the other direction and removed the exemption for all potato processors.

Mr. BERGESON. No. I am not aware of the impact. It would be interesting to know just what that would be, although I think in order for it to solve the problem that we are talking about, you would have to have a national marketing order which would treat everyone alike. The growers themselves have turned this down repeatedly. The growers today do not want a national marketing order. Otherwise, you have a regional setup where one area is not affected the same as another.

Mrs. MAY. Thank you.

That is all, Mr. Chairman.

Mr. SISK. Mr. Myers?

Mr. MYERS. Mr. Bergeson, do you have any figures before you or do you recall the prices that you have paid this year for U.S. No. 1 and U.S.—A and 1-B in comparing prices?

Mr. BERGESON. Sir, I am serving as manager of the entire association and I do not delve into the pricing structure that each member company pays.

Mr. MYERS. You are not familiar with it.

That is all, Mr. Chairman.

Mr. SISK. Thank you very much, Mr. Bergeson, for your statement.

The next witness is Mr. Raymond D. Jones, immediate past president of Instant Potato Products Association, here in Washington, D.C.

**STATEMENT OF RAYMOND D. JONES, IMMEDIATE PAST PRESIDENT,
INSTANT POTATO PRODUCTS ASSOCIATION, WASHINGTON, D.C.**

Mr. JONES. Mr. Chairman, committee members, my name is Raymond D. Jones, operations manager, Grocery Products Division, the Pillsbury Co., Pillsbury Building, Minneapolis, Minn. I am past president of the Instant Potato Products Association, which has designated me to voice its unanimous support of H.R. 11243 and S. 2214.

The Agricultural Marketing Agreement Act of 1937, as amended,

needs updating to reflect today's industry conditions and the intent of the act.

1. The "United States Standards for Potatoes," effective July 15, 1958, lists the following grades of potatoes: "U.S. Fancy," "U.S. No. 1," "U.S. Commercial," and "U.S. No. 2." These grades are further broken down into three sizes: A, B, and C. Other potatoes are termed "unclassified."

An "unclassified" potato with rough skin, knobby configuration or oversized or undersized, may be unacceptable for fresh market sale, but may create a superior instant mashed potato.

On the other hand, a "U.S. Fancy" potato, perfectly formed, smooth skinned and medium sized, possessing high reducing sugar or low specific gravity, would be completely unacceptable to the instant mashed potato processor.

Fresh and processing segments of the potato industry have separate problems and should be treated separately.

2. An example of the inequity of the present act is as follows: The Red River Valley of Minnesota and North Dakota is divided by the Red River of the North. There are five potato dehydration plants in this area; two on the east side of the river and three on the west. If, by referendum, the Minnesota growers voted in favor of a marketing agreement, under present law, 58 percent of Pillsbury's present grower-suppliers would lose one of their prime outlets. Exempting potato processors from the act would overcome this type of economic inequity.

3. Finally, potato consumption had declined steadily over the past 50 years until potato processing became prevalent. Now, since the late 1950's potato consumption increased about 15 percent. Present law threatens this trend and H.R. 11243 and S. 2214 will eliminate this threat. The Instant Potato Products Association urges passage of this legislation.

Mr. SISK. Thank you for your statement, Mr. Jones.

Mr. Jones?

Mr. JONES. No questions, Mr. Chairman.

Mr. SISK. The gentlewoman from Washington?

Mrs. MAY. Mr. Jones, do I assume from your statement that you attribute the increased consumption of potatoes to the fact that we are now providing the consumer with different forms of potato than the fresh potato?

Mr. JONES. Yes; I am convinced of that.

Mrs. MAY. Do you have any idea roughly what the price impact might be on potato products if all exemptions were removed under the present marketing order law?

Mr. JONES. When we went through the national marketing agreement and order hearing 7 years ago, we calculated that the industry would increase its costs \$2.5 million just to comply with the grade regulation, a grade regulation being unneeded insofar as processing potatoes are concerned to some degree.

This was based upon 5 cents per hundred weight grading and inspection costs. So what the market price would be beyond that compliance cost, I don't know. That would be hypothetical.

Mrs. MAY. That is all.

Mr. SISK. Mr. Myers?

Mr. MYERS. No questions.

Mr. SISK. Thank you very much, Mr. Jones.

The next witness is Mr. Art Greenberg, potato grower and shipper, Grand Forks, N. Dak.

**STATEMENT OF ART GREENBERG, POTATO GROWER AND SHIPPER,
GRAND FORKS, N. DAK.**

Mr. SISK. Mr. Greenberg, the committee will be very happy to hear you.

Mr. GREENBERG. Thank you very much, Mr. Chairman and members of the committee, ladies and gentlemen.

My name is Art Greenberg and I am a potato grower and shipper in Grand Forks, N. Dak.

I believe that there has to be a change made to the Agricultural Agreement Act of 1937. As you may note, only canners and freezers are exempt from this marketing order. This was fine in 1937 and the amendment of 1956, but today it is old fashioned.

The potato-processing industry is growing at a rapid rate and we cannot afford to have this type of marketing agreements stand in the way of progress. Farmers who grow potatoes for processors understand what processors can use. For example, we grow potatoes, as many farmers do, for the chipping trade. The potatoes are stored at very warm temperatures and tend to go out of condition rapidly. The chippers have been very good about taking potatoes that were out of grade, as long as they make satisfactory potato chips, and this is a big market for our area. If this marketing agreement were enacted, we would be barred from shipping these potatoes to our potato chip contractor customers. The potatoes would be out of condition so badly that we could not grade them and sell them on the fresh market to meet the marketing order. Most of these potatoes for processing are of a different type than the fresh market demands, which is another hindrance to our types of operations.

So I would appreciate anything you can do to help get this amendment made to the Agricultural Marketing Agreement Act of 1937. I believe it will help bring more processors into the Red River Valley.

Mr. SISK. Thank you, Mr. Greenberg.

Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. Mr. Greenberg, you and a couple of previous witnesses have said that you couldn't sell. Why don't you change your marketing orders? You are under control of those, aren't you? You say you are tied by them but you are a producer, you are in a position to change your own marketing orders, I thought. So you say it won't work. I thought you could write your own orders here.

Mr. GREENBERG. Well, Mr. Myers, one Representative doesn't change the laws of government either.

Mr. MYERS. You mean—

Mr. GREENBERG. I could have my opinions but it is not necessarily my opinion that would have an influence on all of the growers when they state their opinion, in other words.

Mr. MYERS. Are you suggesting, then, you aren't speaking for a majority of the growers, then, when you make the statement today?

Mr. GREENBERG. I am speaking for myself. There are other growers in the same boat as I am.

Mr. MYERS. Thank you, Mr. Chairman.

Mr. SISK. The gentlewoman from Washington?

Mrs. MAY. No questions.

Mr. SISK. Thank you very much, Mr. Greenberg, for your statement.

The committee will now be glad to hear from Mr. Rolland Jones, potato grower, shipper and processor, Rupert, Idaho.

Let the Chair state that if any of you desire to summarize your statements, the committee will make your statement in full a part of the record. We are hopeful, I might say, of getting through this hearing today. We are happy to have you read your statement, Mr. Jones, or if you prefer to summarize, it will be made a part of the record.

STATEMENT OF ROLLAND JONES, POTATO GROWER, SHIPPER, AND PROCESSOR, RUPERT, IDAHO

Mr. JONES. Mr. Chairman, committee members, my name is Rolland Jones. I reside in Rupert, Idaho—where I have grown potatoes for over 20 years. I am presently growing 900 acres of potatoes, operate a potato packing warehouse, and have an interest in a potato flake manufacturing plant in Rupert. I am presently a member of the Idaho Potato Commission, a director of the Idaho Grower Shippers Association, and a former member of the Idaho and Eastern Oregon Marketing Order Control Committee. I am strongly in favor of H.R. 11243 because the Marketing Order Act of 1937, as amended, discriminates against growers who produce potatoes for dehydration. There is presently an active movement in Idaho to amend our marketing order so that potato supplies for dehydration can be controlled. Many of my neighbors grow potatoes for freezing and are exempt from marketing order control. Because dehydration is a means of preserving food, just as is freezing, I strongly urge this committee to favorably consider H.R. 11243 so that I can operate on an equal footing with my fellow growers in Idaho.

I should also like to point out that only certain potato growing areas are subject to marketing order regulations. My potato growing and processing operations are designed to support the manufacture of potato flakes. My potato flakes are in direct competition with flakes produced in the Red River Valley, Maine, Michigan, Washington, Colorado, or any other area where sufficient potatoes are produced to support a flake plant. A local marketing order which could restrict my supply of potatoes for flake manufacture could take me in an impossible competitive situation with other potato producing areas, as well as with other types of foods which consumers have available to them.

The potato industry has grown rapidly and prospered since the advent of processing during the fifties. Growers who have operated an efficient growing operation have prospered also. All of this has been accomplished without marketing order controls on dehydration. The potato industry will continue to prosper if given the freedom and the competitive equality which is essential to free enterprise.

Mr. SISK. Thank you, Mr. Jones, for your statement.

Mr. Jones?

Mr. JONES. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. No questions.

Mr. SISK. Thank you, Mr. Jones. The committee appreciates your testimony.

The next witness is Mr. L. E. Tibert, potato grower, Voss, N. Dak.

The committee is happy to have you before us, Mr. Tibert. You may proceed.

STATEMENT OF L. E. TIBERT, POTATO GROWER, VOSS, N. DAK.

Mr. TIBERT. Mr. Chairman, members of the committee, my name is Budd Tibert of Voss, N. Dak.

We are certified potato growers, located at Voss, N. Dak. We grow approximately 800 acres of seed potatoes each year. A large percent of our seed sales are to growers who grow for the processing industry.

If the marketing order of 1937 with the amendment of 1956 were enacted this could cause many of our customers to go out of business. I would appreciate all the consideration that you gentlemen can give to the proposed amendment to the marketing order of 1937 so that it would exempt all processors.

Mr. SISK. Thank you, Mr. Tibert.

Mr. Jones of Tennessee?

Mr. JONES. No questions.

Mr. SISK. Mrs. May? Mr. Myers?

Mr. MYERS. Just one question, Mr. Chairman. Who certifies you?

Mr. TIBERT. We have an organization within the State of North Dakota.

Mr. MYERS. State certification.

Mr. TIBERT. State certification, yes.

Mr. MYERS. And that is according to a type that you produce as well as the quality? How is it controlled?

Mr. TIBERT. Certification is based on disease. In other words, if you have any amount of disease, you would not make a certification grade, certified grade.

Mr. MYERS. Do they check you once a year to see if your disease is held down?

Mr. TIBERT. No. We have three inspections in the field per year plus an inspection of packing at the time of shipment, plus the winter growing—growing potatoes throughout the winter. It is very closely regulated.

Mr. MYERS. Thank you.

Mr. SISK. Thank you very much, Mr. Tibert, for your statement.

The committee will next hear from Mr. Bruce Nicholes, a potato grower from Madras, Oreg.

STATEMENT OF BRUCE O. NICHOLLES, POTATO GROWER, MADRAS, OREG.

Mr. NICHOLLES. I am Bruce O. Nicholes. My address is Route 2, Box 1402, Madras, Oreg.

I would like to delete a little bit from my written testimony to answer some of the questions which have occurred here this afternoon if it would be all right with the chairman.

My occupation is farming. I farm 380 acres of irrigated, diversified

farm ground in the north unit irrigation project at Madras, Oreg. I have been raising potatoes every year since 1954. I am also president of the Scotty Potato Distributing Co., Inc., an Oregon corporation dealing in potatoes, packing and shipping as well as growing an average acreage of 200 acres of potatoes on leased grounds. Scotty Potato Distributing Co. also buys potatoes to pack from other growers in the area. Scotty Potato Distributing Co. or myself as an individual have been in the packing and shipping of potatoes since 1956. I have been a member for 2 years on the control committee of the Oregon, California marketing order as a handler. I am a member of the National Farmers Organization, past president of the Jefferson County Chapter of NFO, and past chairman of the National Farmers Organization National Potato Program. I am at the present, coordinator for the NFO in marketing order programs.

I am here today representing not only NFO but a collection was made from those growers in central Oregon, the Growers and Shippers Association, to send me here to testify.

We of the NFO and Central Oregon Potato Growers and Shippers feel that the Federal Marketing Order Act is one of the best laws on the books at this time for farmers to have some control in how their products are marketed. It is a fair law for both producer and consumer. Though the producer has control over the marketing of their products, the Secretary of Agriculture must approve of each and every action the control committee takes. He is there to see that the grower uses the program only to get a fair and equitable price for his product. He is also there to see that they do not abuse the power and restrict the market to the point to causing the consumers to be short of food or cause the price to react to a point to be more than the average of parity in any one crop season. We are here today, Mr. Chairman, to consider legislation that has been introduced to amend the powers of the Marketing Order Act, which growers have voted in by at least a 66 $\frac{2}{3}$ majority to control the marketing of potatoes in many sections of this great Nation.

Let's look at the past record of potato prices from years behind us. Let's consider whether these marketing orders have abused the law which has given them their right to control quality and volume of the potato crop they have produced. The winter crop is the crop which is now under marketing orders. The following is an average price growers receive for potatoes during the winter crop which is covered by marketing orders.

I will not read this testimony here except to note that from 1966 through 1967, the average price as calculated is \$2.09 for the 1968 crop. (The table referred to follows:)

	Average in the 9 Western States	Average fall production	Average in the United States
Year:	\$1.99	\$1.79	\$2.00
1960.....	1.14	1.22	1.36
1961.....	1.48	1.48	1.67
1962.....	1.57	1.70	1.78
1963.....	3.40	3.63	3.50
1964.....	1.92	2.10	2.53
1965.....	1.87	1.97	2.04
1966.....	1.71	1.68	1.86
1967.....			
1968.....			

Mr. NICHOLAS. These figures are from the U.S. Department of Agriculture. Now, Mr. Chairman, you can see by this table that those growers of potatoes under marketing order control have not abused the use of the marketing order. Only once in this period of 1960 through 1968 did they even receive the average on the prices of potatoes in the United States and that was only in 1964, when they received 13 cents over the average price. At that time, every usable potato in the growers hands was used and the marketing order only controlled the quality which could be put on the market. Quality is what marketing orders control most of the time. This assures that the consumer receives that grade of potatoes he purchases at the retail level. Why do processors want out from under the control of the act? Not because of lack of quality potatoes to use in their processing, but because they want to use that potato that has been removed from the market because it is of such poor quality it cannot be shipped to the market by fresh shippers or because either the marketing order has taken it off because of quality or the order is trying to control the volume of potatoes which will go to the market.

There is just so much demand for any product on the consumers' market, whether it be in processed potatoes or fresh, with each year more of the crop being processed. If a processor can take the potatoes which are removed by the marketing order and place them on the market anyway, there is nothing taken off. Growers must receive a fair price for that which they produce. Much of the potatoes purchased for processing are culled potatoes purchased at a price of 10 cents per hundredweight or even 10 cents per ton. Can this be fair? Where else can a manufacturer purchase his supplies of raw products to manufacture his product at such a ridiculous price? This is less than 5 percent of the cost of production. The product is bought cheap because it is of low quality on the fresh market. After moving through a processing plant, it is marked U.S. No. 1 potato. There is no room at today's consumption rate to move 100 percent of the potato crop into the market at a fair price to growers. Growers must be able to control that percentage of the crop that can be used, otherwise there will be chaos in at least 4 years out of 5. For 1 percent of excess production kills any hope of a grower receiving a fair and equitable price for his production. The USDA Crop Reporting Service sees to this. Yet, if we have a short crop and people do not have sufficient supply, prices will skyrocket. Under the marketing order we are able to adjust an overproduction so that growers may receive a fair price for that percentage of his crop he sells. The balance must be withheld from the market, or you will still have an oversupply.

We feel that we should now have control of freezers and canners if we are to do a complete job of being able to control our market ourselves. This past season we of the Oregon-California marketing order, because of the USDA report showing approximately 8 million hundredweight over production, removed from human consumption our low quality potatoes from the market. We as growers were able to show a profit on our production which the USDA said would be a disaster for potato producers. They recommend we ask for a diversion program which would cost many Government dollars. We controlled our volume with the marketing order with no Government help needed. This assists producers in bargaining in a fair manner. We

believe all types of processors should be on a fair, equal and competitive base. To buy their raw products at a price level which growers of this product can make a legitimate profit. But we feel it would be wrong to place dehydrating processors in a position which would allow him to steal his raw products from the producer. Therefore, we the potato growers of Oregon and this Nation, ask you to please defeat this legislation and pass legislation which would put canners and freezers under the control of the Federal marketing order. This would then make all of them on a fair, equal and competitive base.

There has been some discussion or statements made as to the prices of the Oregon-California marketing order area being in a low position this year. I have with me the records of the marketing order service which quotes the prices averaging in the Oregon-California marketing order as being \$2.14 which is No. 4 in the Nation as to an average. But I must also call the attention of the committee to the fact that this is only 73 percent of parity.

Mr. SISK. What year are you referring to?

Mr. NICHOLS. 1968 crop. The 1968-69 crop.

Mr. SISK. Could I inject, is this the price the grower received?

Mr. NICHOLS. This is the price the grower received. I would like to also comment on a price that was quoted here as to what the gentleman purchasing his potatoes could have purchased it in the Sacramento area, or wherever Pik-Nik potatoes are. I would suggest he find a new broker. I am in the shipping business and I would have sold him for much less, but the crop reporting service quotes an average for potatoes out of the Oregon-northern California marketing area starting out in June of 1968, at \$2.10, and the highest price was April this year at \$2.50 grower prices.

Mr. SISK. Thank you very much.

Mr. NICHOLS. That pretty well completes my testimony with the exception that I would like to add why we of the California marketing order removed the low grades from the market this year. Potatoes were always available. I as a shipper found myself with an oversupply and those other shippers within the area also found themselves with an overburden, oversupply of what we refer to as stripper potatoes.

These are those potatoes which do meet the marketing order standards which would have been this year 2 inch or 4 ounce potatoes. That would be the smallest size. Then you go to your cartons and normally strippers are then 6 ounces and down. In other words, down to the 2 inches and 4 ounce and 6 ounce. Those potatoes are normally put into a 10-pound consumer package. It is a good quality as far as quality is concerned, but most housewives really don't like that small a potato.

We were overburdened with this supply of potatoes. This potato could be used very readily by Pik-Nik and the cost would have been, if they had called me in central Oregon—I will gladly give them my telephone number next year and I can furnish them at a very equitable price.

The same thing was happening in the State of Washington. Many times these potatoes were diverted last year to starch plants to the processor at a price of 10 cents a ton to growers because the market would not accept them. There was no place for them to go. The processors did very well on those potatoes being culled out in Washington.

There is a movement in the State of Idaho by NFO growers and those other growers which are cooperating. We have held many meetings within the State of Idaho to change Idaho's marketing order. Idaho's marketing order is one of its own. It controls that potato which moves out of the production area. That is the Idaho-Oregon marketing order. There is no other marketing order this way within the United States. This is how it was put in and it was put in to satisfy a dehydrating company or processing plant. They were in their infancy. They have done quite well with the exemption of being out from underneath the control of the marketing order.

The growers in Washington find themselves unable to use their marketing order because they have failed to elect those people on that marketing order which are grower inclined. Most of them have special connections with a processor.

But we are moving with the National Farmers Organization to cover the rest of the Nation in marketing orders. We spent money this year to go to Bakersfield at the convention to get marketing orders to coordinate their action. This we accomplished.

B potatoes were not just removed from the marketing order, by the Oregon-California marketing order. They were removed also from the Idaho marketing order. They could not ship out of the State size B potatoes after—I think it was about January 15 they stopped. The State of Colorado in their three marketing orders removed B potatoes from theirs. Because the price was being pushed down with an overburden of supply, they removed them from the market.

So that completes my testimony, Mr. Chairman.

Mr. SISK. Thank you very much, Mr. Nicholes.

The gentlewoman from Washington, Mrs. May?

Mrs. MAY. Just one question, Mr. Nicholes.

Do I understand you to say that you believe that if the company which has had such economic loss as a result of this marketing order change, if they had gone elsewhere, they still could have found the supply of potatoes for their product at a comparable price without the economic effect that has injured them? That they should have looked further and they would have found a suitable potato of the class that they use in making their product? Did I misunderstand you or was that—

Mr. NICHOLAS. No. I think you probably understood me correctly. Partly I will explain it a little bit.

I think they know they could not have bought it at the price they were now purchasing it at because the price—the marketing order was put in and voted in by growers. The growers in California, the Tule Lake District as well as the district in which I live and ship in, pay nothing to the grower for his B sized potato. He is allowed culled prices. It is only considered what you could buy at the starch plant.

He is credited for this amount of money, whatever it would go to the starch plant for. That would be in the area somewhere around 25 cents. They put a sack on it and ship it to their California area.

One of the reasons we stopped this shipment also was that it was people not qualified who were receiving them. We found it on the Los Angeles market at any day of the week previous to last year which you could buy size B potatoes on the open track, on track side, at from 75 cents to \$1 a hundredweight shipped into California. So there is an over-abundant supply of these small potatoes.

He could have purchased strippers which would have cost him a little bit more but the growers would have received somewhat of an equitable price for them.

Mrs. MAY. What would the effect have been on the price of his commodity competitively according to the figures he gave us this morning?

Mr. NICHOLAS. I really don't know, but I would like to see the price of the product that he has, the price of the product in the can as compared to the can he puts it in. I think the can will cost more.

Mrs. MAY. Well, the point is he has to compete in the market.

Mr. NICHOLAS. This is right, but I think those growers must be able to stay in business—

Mrs. MAY. This is what we are seeking for, balance. Your grower wouldn't be able to stay in business without the processor and the processor wouldn't be able to stay in business without you, the grower. And that is all I wanted to know, and I thought you said—and I am sorry that I did misunderstand, I thought you said by looking further or if he had a better broker he would have been able to find a supply of potatoes that would still allow him to keep his price competitive.

Mr. NICHOLAS. The supply is there. It might have cost him a little more money.

Mrs. MAY. Thank you.

Mr. SISK. Mr. Myers?

Mr. MYERS. Mr. Nicholes, on these figures you gave us, what grades were these potatoes that you are quoting from the year 1960?

Mr. NICHOLAS. That is the average salable potato. That would be from No. 1 down to 2's. That would be the entire salable crop.

Mr. MYERS. That would include the B, then, the 1-B we had in question this morning.

Mr. NICHOLAS. I am assuming it means all salable potatoes, the average price of all salable potatoes. Not including culls, though.

Mr. MYERS. No, on page 3 you have a statement here, "Much of the potatoes purchased for processing are culled potatoes purchased at a price of 10 cents per hundredweight or 10 cents per ton."

Do you sell potatoes for 10 cents a ton?

Mr. NICHOLAS. Sir, I don't, but—

Mr. MYERS. What does the statement mean, then?

Mr. NICHOLAS. Well, because I know growers that have. One will be on the stand shortly that will substantiate that she has sold her potatoes in Washington at 10 cents a ton because they do not—either you take it or you go down the road somewhere else. The fellow down the road will only offer you 10 cents also. So they must take it. They have no—unless they are big enough to put their own shed in, which many of the large growers and shippers have done, then they get into the processing business and we are talking about now the average everyday growers.

Mr. MYERS. Well, I don't know. I can't imagine anybody digging potatoes—I would leave them in the ground before I would take 10 cents for them. That would be a lot cheaper.

Mr. NICHOLAS. Well, my explanation for this, sir, is that part of the product would go on to the fresh market. That which is taken off, which is of low quality, is taken from the grower at 10 cents a ton for processing.

Mr. MYERS. One thing further.

Do I understand you to say you are not marketing the 1-B potato now?

Mr. NICHOLAS. In my area we are not allowed to ship it because of the marketing order.

Mr. MYERS. Because of the marketing order.

Mr. NICHOLAS. We are still selling it as cattlefeed.

Mr. SISK. Have you finished, Mr. Myers?

Mr. MYERS. Yes.

Mr. SISK. Let me ask one question to further clarify the matter regarding prices. You referred to the stripper prices. What were stripper prices generally in 1968 in the Oregon-California area?

Mr. NICHOLAS. The stripper price would run—I think it would average from a low of about \$1.85—that is f.o.b. Madras—at my shed to a high of about \$2.90.

Mr. SISK. What was it for the same quality of potato strippers in 1967, Mr. Nicholas?

Mr. NICHOLAS. Well, it would be very similar. I would say that the price would run a little longer in the cheaper end. This year the tail of the season we commenced to getting a better price for this product.

Mr. SISK. That is what I understand. The 1968 prices were somewhat better than the 1967 prices, right?

Mr. NICHOLAS. Well, I have the average there in my testimony of what the average potatoes brought in the nine Western States for 1967, which is \$1.71.

Mr. SISK. \$1.71 for the nine Western States?

Mr. NICHOLAS. Yes.

Mr. SISK. Please define what you mean when you mention strippers.

Mr. NICHOLAS. Strippers are that potato which, in the business of fresh packing, you build cartons and in cartons they are done normally in count size. You start from 6's to 8's, which I believe would be 120 count. Then you go to 8's to 10's, on up, just 2-ounce spread. But nobody will buy in count size that small potato below a 6-ounce down to the minimum of what your marketing order will allow you to ship or the Federal grade law would allow you to ship, so it would be that 2-inch, 4-ounce potato, to a 6-ounce potato, which is normally considered a stripper potato. It is put in a 10-pound bag, and this is what the normal consumer buys in the 10-pounds in the grocery store.

Mr. SISK. The potato that is below 2 inches, mentioned in some earlier testimony, you do not propose to ship or sell at any price?

Mr. NICHOLAS. As growers, we can get the same amount for cattle feed and remove it from our potato market and have those people that want to use the small potato move up just a little bit and use that other potato. We have got an overabundant supply. We have too many. We have to take off somewhere in order to get an equitable price for what is left.

Mr. SISK. Thank you, Mr. Nicholas, for your testimony. The committee is very happy to hear you.

The next witness will be Mrs. Ray Voss, potato grower, Pasco, Wash.

Mrs. MAY. I will just say I am glad to welcome a constituent. I don't know Mrs. Voss.

STATEMENT OF MRS. RAY VOSS, POTATO GROWER, PASCO, WASH.

Mrs. Voss. Thank you very much, Mrs. May.

Mr. SISK. Mrs. Voss, you may proceed.

Mrs. Voss. I am speaking against House bill 11243 which would remove the Federal marketing order on potatoes.

I am from Mrs. May's congressional district and I sincerely hope the committee will not act against the very numerous independent growers which she represents.

I would also like to digress at this point to say that I am a member of the Farm Bureau and have participated in their potato program, but at the moment my husband and I are working actively with the Columbia Marketing Area of the National Farmers Organization. We feel that NFO's attitude on pricing and the condition of sale is the most optimistic.

My husband and I together with our family farm 500 acres of land in the south end of the Columbia Basin project, Franklin County, State of Washington. This year we are raising 300 acres of potatoes, 29 acres of wheat, and the remainder is in alfalfa hay.

We were among the first settlers in block 16, and have developed all our land from sagebrush. In the last 12 years on the farm our children have become teenagers; and do you know, not one of them could manage to become a full-fledged "hippie," although they do consider themselves to be fully in the mainstream of life.

The cool early mornings raking hay, the discipline instilled by the frustration of mowing first-cutting hay, the experience of driving truck under a potato combine, all seem to have had an indelible effect. As a result, our children have a confidence and a knowledge of themselves that their friends in town very much admire.

We value our life just the way it is and we value our position in the community as independent business people.

The only problem is that we lost \$40,000 last year in our operation due to low prices. We sold our early Norgold potatoes to one of the largest chains in the United States, for 1 cent per pound. These beautiful potatoes were eventually sold at the supermarkets for never less than 6 cents per pound for the small ones, called "strippers" in the trade, at 59 cents for a 10-pound bag. Box-size bakerys would have cost the housewife in the neighborhood of 10 cents per pound.

If we had had our State marketing order activated to remove cull potatoes from human consumption, and had removed the 4- to 8-ounce potatoes, which are the strippers, from the fresh market, I am sure we could have been able to get 3 cents per pound for the 75-percent majority of our production which would have remained on the fresh market. Had that been the case, Ray Voss and I would not have had to take out another mortgage with Prudential Insurance Co. in order to pay our production loan deficit with the Production Credit Association.

Federal and State marketing orders are very effective tools for growers to use to regulate quality and quantity in the potato market.

At the time we were being paid 1 cent per pound for our Norgolds, the processors in our State were buying our cull potatoes from our fresh packers to supply their dehydrating plants.

It is common in our area for the integrated grower-shipper-processor to raise very large acreages. He then runs a fresh line

which "creams" off the best potatoes, running his dehydrating plant on culls and his own strippers. In cases we know of, where corporations and integrates grow their own, they get a very large percentage of off-grade potatoes. If they don't raise them, they buy them from fresh packing sheds which do not run their own dehydrating plants.

In any case, the processor is using our culls and his against us in the marketplace. The grower has 10 to 20 percent of his total production cost in these culls, and in Washington State last year he was paid in the neighborhood of 10 cents per ton for them—per ton, gentlemen.

Taking into account the weight loss for dehydration, these potatoes eventually sold for from 7 cents to 20 cents per pound as a processed product, which competed directly with the quality graded potatoes in the "fresh" stand—the one the farmer got paid for.

The processor was not nearly as worried about depressing the fresh market as was the independent farmer. The integrate was getting a far better price in wholesaling a packaged product from his fresh line, and he had a bonanza in processing free culls. He could also get rid of his strippers in his processing plant.

The grower-shipper-dehydrator can usually wait out a poor market, where the individual farmer is being pressured by his banker and creditors to dump, and recover at least a part of his cost.

We need a Federal marketing order which would apply to all processors, including freezers and canners. It could be activated State by State, according to a vote of all participating growers, including the grower-shippers, to remove a certain percentage of off-grade potatoes from the market. We could remove all culls from human consumption. A cull is defined by the USDA standards. Growers, through the marketing order could decide to open their digger chains and leave the "marbles" on the ground at digging time. Processors then could buy strippers at market price from the fresh sheds, thereby stabilizing our potato industry.

The consumer would be getting a quality product and it would not cost the taxpayers a dime—or even a penny.

For the price the consumer pays, I think she deserves to get good potatoes.

We independent growers feel that Federal and State marketing orders are an indispensable tool to maintain quality for the consumer and equality for the grower. The independent farmer cannot provide the processing industry with its raw product free of charge, and continue in business to provide the housewife with the quality potato she desires.

Independent commercial family farms can produce this quality better and cheaper than corporations with multi-thousand acre tracts. You know, at a critical time, the difference in one or two days watering can ruin the quality of a crop. In irrigated areas, management is so crucial as to verge on the impossible, unless, of course, they aren't worried because you know you can get rid of your junk for a price running it through your own plant.

I think the comparative experience of Russia and the United States in farming should have shown us that a family, loving their own land, can produce a miracle. Disinterested farm workers and highly paid managers cannot.

The miracle of production and quality accomplished by farmers farming their own land deserves protection for its service to our United States of America.

I sincerely hope that the Congress will cast a vote to save the commercial family farm by voting to save our Federal marketing order for potatoes.

Mr. SISK. Thank you, Mrs. Voss, for a——

Mrs. Voss. May I proceed, sir, to comment?

Mr. SISK. Yes. If you have some further statements go right ahead.

Mrs. Voss. As a housewife who buys her potatoes at the supermarket I must argue to say that all potatoes compete with each other. By putting culls in a more marketable form, processors are committing a real hardship on the growers quest for a decent price. Since 42 percent of potatoes retail in other than fresh form, this has to be a fact.

Mr. Goodling, I would be sure that through the marketing order, farmers would vote to sell all usable potatoes should that condition exist where the USDA did not publish a statement of overproduction.

As to the remark about wastage, we farmers deplore waste, but we want to stay in business. If we could manage to abandon our crops when they need it, this room would be full of farmers saying exactly the same thing I am from all over the United States.

Any time farmers could get paid a fair price for their whole product, they would not think of leaving any of it on the ground, and as soon as it can possibly be managed, the American farmers surplus will be given to the poor of the world.

To answer the charge by the manager of the Pik-Nik Co., that prices would skyrocket if farmers got together to determine price, I would like to assure the Congress that the American farmer would still be bound by the decisions of the Secretary of Agriculture, Clifford Hardin, who is a fair man. There is no reason to believe the farmer will charge more to grow food than would the corporations which will replace us when we are forced out of business by low prices. Because farmers have not availed themselves of their Federal marketing order tool does not mean they will not or that the need does not exist.

Keeping the marketing order will make it possible to market at a fair price and will remove the bugaboo of overproduction which sets the price for all potatoes regardless of grade.

The country needs our potatoes and, with communications between growers of all areas, no potato grower needs to worry about a processor going around him and buying from another area because of his marketing order.

Transportation is not such an important item to either buyer or grower when the price is at 2 to 3 cents or more per pound. I do believe we should have equality for buyers in the potato industry. When the intent of the marketing order is to bring stability to the growers' market and the consumers' market, why should there be exceptions?

The matter of selling 100 percent of the crop could be handled on a regional basis within State marketing orders, according to the needs of the individual community. In their wisdom, the originators of the order provided for this. Federal orders can have identical provisions as well as individual provisions State by State.

I would like to add a few more particulars to the story by Mr. Lovins about Pronto buying from Oregon because of Washington prices being too high.

You see, potato growers do have this communication between each other at this time and it happens that the Oregon people called the Washington people and asked if they should sell to this Washington buyer. This happened this spring. The Washington stored block was keeping quite well at this time and Oregon's was spoiling, so Washington put an unrealistically high price on their spuds in order to protect their neighbor. When Washington processors had boycotted our organization's block, Idaho made a significant sale for us which was enough to make our local processors realize that a potato is a potato wherever you find it and you may as well buy it at home for a price that will keep the farmer in business.

We are talking about the whole potato industry and isolated instances confuse the issue. People I know in the Red River Valley, people I know personally, have signed contracts for about 1 cent per pound. Also people I know in the Columbia Basin and the Yakima Valley. I believe that these growers must get a better price; that, regardless of the convenience of the processors, we must keep our marketing order as it is and expand it if possible. Farmers can't afford for the processors to stabilize the industry by writing contracts at less than the farmers' cost of production. This is how premarketing is happening at the moment.

I must disagree with Mr. Lovins. The situation as it exists has produced contracts between Washington buyers and growers which have brought about 1 cent per pound to the grower. The average grower has about 2 cents per pound in these potatoes. Marketing orders can be adjusted from year to year to accommodate the industry where a year produces overgrade potatoes as the general rule. I would also like to explain why the Washington marketing order isn't doing us any good at the moment as growers. Quite simply, our committee last year was processor controlled. I don't know how but we all know various pressures are always possible. We elected two new members this year and plan for our marketing order to do us some good as soon as the farmers' interest can regain their position on the committee.

I agree with Mr. Rice that there are very few independent commercial producers of potatoes left and as such I believe we are entitled to protection as a specie.

Mr. SISK. Does that complete your statement?

Mrs. Voss. Yes.

Mr. SISK. Thank you, Mrs. Voss, for a very good statement. The gentlewoman from Washington?

Mrs. MAY. No questions.

Mr. SISK. Mr. Myers?

Mr. MYERS. One or two. I am glad we finally got one honest-to-goodness potato farmer. I guess you don't process or do anything else.

Mrs. Voss. No, sir. We just grow them. We would like to leave the processing and handling to those people who know it best.

Mr. MYERS. Tell me a little bit about potato production. I don't know much about it. We don't raise too many in Indiana. We are kind of small potato farmers out there. Do you fertilize heavily when you plant potatoes?

Mrs. Voss. Yes; we do. We feel that we have about \$500 an acre in our potatoes.

Mr. MYERS. \$500 an acre?

Mrs. Voss. Yes. If our production is up, we can get in the Columbia Basin as high as 30 tons. However, about 17 tons to the acre, I believe is the average.

Mr. MYERS. What is the \$500? What goes into that?

Mrs. Voss. Fertilizers, seed—

Mr. MYERS. \$500 would buy an awful lot of fertilizer in my part of the country.

Mrs. Voss. We use an awful lot of fertilizer. Our ground is sand. We have to add every nutrient to the land.

Mr. MYERS. You would burn the ground up with that much fertilizer out in Indiana.

Mrs. Voss. I am afraid it doesn't work that way in our area.

Mr. MYERS. Do you irrigate?

Mrs. Voss. Yes. That is a big part of our cost, too. We use sprinkler irrigation on our farm. We also have a circle, a pivot system, watering 130 acres. But our cost for seed is usually about \$100 per acre. Our cost for fertilizer and pesticides is usually about \$100. Our watering cost runs more than \$100 by the time we buy the water, the electricity, and furnish the labor.

Mr. MYERS. Then I don't know how you got off losing \$40,000 last year. As I understood you, you said you had about 2 cents a bushel in your potatoes and you sold them for a penny.

Mrs. Voss. Two cents a pound.

Mr. MYERS. Two cents a pound, and you sold them for a penny a pound. You lost a lot. I don't know how you lost \$40,000. That is kind of expensive. You lost about \$80 an acre.

Mrs. Voss. Yes. That is true, we lost more than that, but we made a little bit of money on some other crops, fortunately. We can't continue to do this.

Mr. MYERS. You are a glutton for punishment. Three hundred acres this year. You are persistent.

Mrs. Voss. We have a complete line of machinery to farm potatoes and any other crop we would choose would be equally risky. Hay would have had to be planted last fall to make money and aside from our allotment, we lose money on wheat. Peas and beans usually about break even with the same disadvantage of potatoes of leaving the ground open after harvest. We cannot afford the added investment to go into livestock. As I say, we are optimistic. We feel the independent farmers are still producing the major proportion of the potatoes for the American consumer and I feel we can ask 1 more cent per pound for our potatoes and not affect the consumer appreciably at all. When she is paying 10 cents a pound for bakers in the grocery store and we get 1 cent, that 1 cent is not a very large proportion of the 10 cents. So we feel that by communicating with every area of the country that is raising potatoes, by fighting for our marketing orders and by getting them activated wherever they are not working now, that we can profitably raise potatoes. We can keep our farm and we can live the way we want to live.

Mr. MYERS. Don't you have marketing orders now?

Mrs. Voss. As I explained, or someone explained earlier, Washington's marketing order is not actually activated. It isn't doing anything. The committee is processor oriented at the moment. We brought—we tried last summer to remove the culls from human consumption and

we had only one member on the committee who would vote in favor, although the meeting was peopled by many, many farmers in attendance asking for this. We asked for the meeting first. We attended the meeting and we couldn't get any action.

Mr. MYERS. What you are saying, then, your marketing orders are not working.

Mrs. Voss. Not at the moment, but we do intend making them work. We do intend to get people elected to the committee positions who will act on behalf of the farmer.

Mr. MYERS. How long have they been in effect?

Mrs. Voss. I'm sorry, I couldn't answer that question. We have only been so vitally concerned in the last 4 years. And we have only been organized as potato producers for the last year.

Mr. MYERS. That is all.

Mr. SISK. Thank you, Mr. Myers. I take it, Mrs. Voss, that your position is, if Congress is going to amend the marketing orders in any direction, they should remove all exemptions and put all processors under the marketing order.

Mrs. Voss. Yes. That is my statement.

Mr. SISK. Thank you, Mrs. Voss.

SUPPLEMENTAL STATEMENT OF OLIVER LOVINS, DIRECTOR, WASHINGTON POTATO ASSOCIATION, MOSES LAKE, WASH.

I have already filed a statement with respect to the above, but wish to file this supplemental statement to clarify two matters which were mentioned but not clarified because of lack of time.

First, reference was made to a sale of potatoes for 10 cents per ton. Obviously, this is not a normal commercial transaction. The facts are: potatoes may be bought on a field run basis with different prices named for different grades. A nominal price is named for the purely waste material in the field run, which is not edible nor usable except for starch, cattle feed or dumping. A nominal price is merely named for this waste material so that all parts of the field run delivery are covered and transferred. The important factor is not what the grower gets for the waste material but the total he gets for the field run per ton.

Secondly, it was stated by one or more witnesses that the administrative committee under the marketing order in the State of Washington was controlled or dominated by processors. The facts are: the Committee of 15 members is elected by potato growers. The 1968-1969 Committee consisted of 15 members of which 10 members were strictly and exclusively growers and 5 members were fresh shippers and/or growers. There were no processors on the Committee. The implication that the Committee members were processor-controlled is negated by the fact that they were elected by the growers to represent the growers.

SUPPLEMENTAL STATEMENT OF F. W. "BILL" BERGESON, SECRETARY-MANAGER, POTATO PROCESSORS OF IDAHO, POCA TELLO, IDAHO

I have already submitted a statement with respect to the above, but wish to file this supplemental statement to make certain that the record is clear in one respect.

There have been various references to "quality" of potatoes for processing, together with references to U.S. Standards for potatoes. It should be made perfectly clear that the Standards are applicable to table use shipments, where size, shape and appearance, in other words eye appeal, are important factors.

Potatoes for processing are of the same quality as potatoes for table use insofar as soundness and edibility are concerned. Quality for processing varies from the standards for table use only insofar as size, shape and appearance are concerned.

A small or misshaped potato which has no eye appeal for table use is just as good as a larger, better shaped potato when it is processed into flakes, granules, shoestrings or chips.

Mr. SISK. The next witness before the committee is Mr. Willie Edwards, potato grower, of Tullake, Calif., representing the Tullake Growers Association and Klamath County, Oreg., potato growers.

STATEMENT OF WILBUR EDWARDS, POTATO GROWER, TULELAKE, CALIF., REPRESENTING TULELAKE GROWERS ASSOCIATION AND KLAMATH COUNTY, OREG., POTATO GROWERS

Mr. EDWARDS. Mr. Chairman, and members of the committee, I am Wilbur Edwards, authorized representative of Tullake Growers Association, Tullake, Calif., Klamath Potato Growers Association, Klamath Falls, Oreg., and Modoc and Siskiyou County chapters, California Farm Bureau Federation.

Along with my testimony I also have some petitions here signed by individuals in the Klamath Basin.

Mr. SISK. I beg your pardon? What kind of a document was that that you have?

Mr. EDWARDS. Petitions and protests to this H.R. 11243.

Mr. SISK. These are petitions against the present pending legislation.

Mr. EDWARDS. Yes.

Mr. SISK. Do you know how many signers you have on those?

Mr. EDWARDS. I did not count them.

Mr. SISK. The committee will accept the petitions and they will be made a part of the files.

You may proceed, Mr. Edwards.

Mr. EDWARDS. In 1937 the Agricultural Marketing Agreement Act set up the marketing agreement program. The Oregon-California marketing agreement was enacted at hearings held in Portland, Oreg., on January 31 and February 1, 1955, at which Order No. 947 was accepted, as amended. It was established for regulating the handling of Irish potatoes grown in Crook, Deschutes, Jefferson, Klamath, and Lake Counties in Oregon, and Modoc and Siskiyou Counties in California.

The purpose of the order was to effectuate the declared policy of the act with respect to potatoes produced in the specified Oregon-California area—by controlling size, shape, and condition of the potatoes leaving the area and thereby establishing and maintaining orderly marketing conditions that tend to establish reasonable prices for the producers (parity prices) and at the same time protect the consumer interest. These standards are administered at a marketing area office, enforced by Federal-State inspectors and financially self-sustaining by the potato producers alone.

The agricultural marketing agreement does not impose regulations, it merely provides the authority under which growers can develop regulations to fit their own situation and solve their own marketing problems when their commodity is overproduced. This is done, under the authority of the act, to put supply in line with demand, by the elimination of lesser grades of potatoes, such as culls, a percent of small U.S. No. 2's (usually under 6 ounces) and some U.S. No. 1's (usually under 2 inches or 4 ounces).

By being able to put the supply in line with demand the potato producers have the same advantage as other business organizations. Manufacturers keep supply in accordance with the consumer's demand

for a product by shutting down or slowing down production. This regulates prices and keeps the economy better balanced. The potato producer or potato manufacturer must keep his production at a maximum at all times, to give this Nation a guaranteed supply of one of the most widely used, most nourishing commodities which is still economical in comparison to other foods, and to combat the unpredictable elements of nature.

This inevitable overproduction must then be controlled through marketing orders or the more expensive diversion program. Either of the two methods have the effect of diverting the undesirable grades of the commodity from human consumption.

Even though a marketing order for potatoes is in effect in Oregon and California and many other States, some years a Federal diversion program has been necessary to eliminate large surpluses of potatoes at a great expense. This diversion program could be eliminated through marketing orders, if more reliable information could be obtained on potato stocks on hand.

The 1967-68 crop year began with a surplus of potatoes. The U.S. Department of Agriculture would not give a diversion program early in the season when they were asked for one. However, later help was received through the diversion program—but too late. Many farmers did not receive a price that was above the cost of production, because of the late diversion.

In the 1968-69 crop year the growers in the Oregon-California marketing area decided to eliminate culls, "B" size potatoes, and the small U.S. No. 2 grades (from 4 to 6 ounces) from the market. This had the same effect as a diversion program but did not cost the consumer-taxpayer any money. The farmers even received a better price than expected because of this method of handling the production problem. This is why H.R. 11243 and S. 2214 are so damaging to the consumer, producer, and the complete economy.

Because the potato producers desired to use their self-help program provided under the marketing agreement, some processors were unable to receive their usual supply of culls and undesirable grade potatoes in the 1968-69 shipping season of the fall harvested potatoes.

Even though some 30 processors in California alone have built large and profitable processing businesses on the use of undesirable fresh potatoes, the producer usually received no more than 5 to 10 percent of the actual production cost. These processed potatoes then go into direct competition with the desirable grades of fresh potatoes.

These prices may have been favorable in the 1940's or 1950's, but in the late 1960's this is ridiculous—for potato producers to keep supplying potato processors with their commodity, at a loss, and then have these same low-grade potatoes in direct competition with the best quality fresh potatoes in the markets.

Most of the people in the Oregon-California production area believe canners and freezers should no longer be exempt from the marketing agreement regulations either. With all types of processors under marketing agreement jurisdiction, all potato buyers would be on an equal basis in fair competition—and this would ease the cost-price squeeze the grower faces. In low production years the marketing agreement standards could be lowered accordingly, by use of

the marketing order, so that culls and B's could be processed or sold fresh, if necessary.

It is felt by the potato producers in the Klamath Basin that H.R. 11243 and S. 2214 were purposely introduced at this time—during the producers busy planting season. There was no official publicity and a majority of the growers across these United States know nothing about the two bills. Producers have not had adequate notice for proper preparation and presentation of their testimony so that all true facts might be disclosed. It is therefore important that H.R. 11243 and S. 2214 be either defeated here and now, or given adequate time for the producers to prepare a proper testimony.

Mr. SISK. Thank you, Mr. Edwards, for your statement.

Let me say in fairness to the committee that this, of course, is one of the obligations and responsibilities of Members of the Congress, to try to be sure that before we act, there is adequate public knowledge of matters of this kind. And let me assure you, and in turn if you will, your people, that we do not propose to act hastily upon this legislation until people have an opportunity to know what it is about. I personally can't tell you exactly at what point it was decided to hold these hearings but I do want to assure you that ample time will be given to hear from everyone concerned before we take any kind of action on the legislation. I recognize the problems always of getting out an adequate amount of information.

Mr. MYERS, do you have any questions of Mr. Edwards?

Mr. MYERS. Just one or two, Mr. Chairman. The size B potatoes in this last year were taken off the market. You sold none through your marketing agreement; is that correct?

Mr. EDWARDS. That is correct. There were some exceptions, though, which were chipping, charity—there are two others that can go out under special purpose.

Mr. MYERS. Wouldn't it be possible for you to amend your marketing order so that you could sell them at a different price if you selected to?

Mr. EDWARDS. The B-sized potatoes?

Mr. MYERS. Yes. You have it within your power of your marketing agreements through your marketing orders to change the arrangements where you could sell it at a price, could you not?

Mr. EDWARDS. That is correct. If and when a crop is short and these potatoes are needed to meet the demands of the public, they could be put on to be used for human consumption.

Mr. MYERS. The last sentence in your next to the last paragraph on page 2, "These processed potatoes then go into direct competition with the desirable grades of fresh potatoes," I can see your point here but this isn't always true. Pik Nik testified this morning that they closed their plant because they couldn't get the No. 2 potatoes, or the B potato.

Mr. EDWARDS. Sir, I don't go along with that too much.

Mr. MYERS. You don't think they closed the plant?

Mr. EDWARDS. They may have closed it but not for that reason.

Mr. MYERS. You just thought they got tired of making money and decided to close out.

Mr. EDWARDS. Well, they are going to protect their outlets no matter what happens. They are not going to let another processor come along and get in there.

Mr. MYERS. I am a farmer, but I also have to realize, as a member of this committee, that the consumer pays the ultimate bill, and we have to protect both sides and try to come out with an equitable solution. I am not a potato farmer, however.

Mr. EDWARDS. It has been shown that farm produce could be raised around 30 to 33 percent at the farm gate and it would only affect the consumer about $1\frac{1}{8}$ to $1\frac{1}{10}$ percent.

Mr. MYERS. Where do you get these figures? Where do they come from? I would like to see them.

Mr. EDWARDS. I will get them for you, sir.

Mr. MYERS. OK. I appreciate it.

Mr. SISK. Mr. Edwards, I would just like to ask you a couple of questions to further clarify the price situation which you heard discussed.

It is my understanding that the Pik-Nik people are receiving their supplies for the winter months from your particular area, the northern California-Oregon area; is that right?

Mr. EDWARDS. I have no knowledge of what channels these B-sized potatoes go into when they leave the Klamath Basin. The average farmer doesn't.

Mr. SISK. Well, it was my understanding that what brought about the change by the Department of Agriculture in their definition of canning was as a result of actions taken by your folks in the California-Oregon marketing order area. Is this correct or is it not?

Mr. EDWARDS. That is correct. You mean the definition of a canned potato?

Mr. SISK. Yes; that is right.

Mr. EDWARDS. Yes.

Mr. SISK. In other words, your particular group raised this question.

Mr. EDWARDS. Yes. I think it was the marketing order committee that needed clarification of it.

Mr. SISK. That is right. Now, prior to the time this question was raised, are you aware, Mr. Edwards, of the price to the grower? That is the only price I am concerned about here, not necessarily an f.o.b. price in San Jose or anywhere else, but the price to the grower.

Mr. EDWARDS. I am familiar with the prices ordinarily paid to the growers for B-sized potatoes.

Mr. SISK. And what were those prices, for example, in 1967? Do you recall? Or take 1968 if that is—

Mr. EDWARDS. Well, 1968, we didn't ship any from the 1968 crop.

Mr. SISK. What were they receiving, then, in 1967, the last year you shipped these?

Mr. EDWARDS. The common price received at the Klamath Basin is usually 10 to 20 cents per hundredweight.

Mr. SISK. Ten to 20 cents per hundredweight.

Mr. EDWARDS. Net to the grower. There are cases when they will pay 30 to 40 percent and then there are times when they will not buy a B for any price because there is not that much market for them.

Mr. SISK. I see. What I was trying to establish for the benefit of the committee was what actually the grower was receiving for these potatoes they were converting into shoestring potatoes and then canning. I think this is of some importance.

Mr. EDWARDS. Yes. He was quoting a delivered price and I was quoting a price net to the grower.

Mr. SISK. I recognize he was quoting delivered price and I am certain some broker some place took a profit off of it, maybe a couple of brokers. I don't know how many handlers these potatoes go through prior to the purchase by Beatrice Foods in this case.

Mr. EDWARDS. Well, sir; in the crop year of 1964 there was marketed in the winter of 1964 and 1965—the processors in California paid as high as \$3 and \$4 a hundred for B's due to the shortage of the crop, and I didn't see them shutting down their doors.

Mr. SISK. They still continued to operate.

Mr. EDWARDS. Yes.

Mr. MYERS. Beans, you say?

Mr. EDWARDS. B sized potatoes.

Mr. SISK. Did the gentleman from Indiana have a further question?

Mr. MYERS. How far is this Klamath region from San Jose?

Mr. EDWARDS. I would say roughly 400 miles.

Mr. MYERS. \$1.50, \$1.65, that is a lot of handling charge.

Mr. EDWARDS. The freight is probably in the neighborhood somewhere of around 50 cents.

Mr. SISK. Fifty cents freight approximately.

Mr. EDWARDS, thank you very much for your statement. The committee appreciates your taking the trouble to come here and, as I say again, let me assure you that prior to any action by this committee, we will try to make certain that the potato people across the Nation know what we are doing.

Mr. EDWARDS. I thank you.

Mr. SISK. I hope whatever we do will be in the best interests of everyone concerned.

Mr. SISK. The next witness is Mr. John Mooers, president, Maine Potato Council, Houlton, Maine.

STATEMENT OF JOHN MOOERS, PRESIDENT, MAINE POTATO COUNCIL, HOULTON, MAINE

Mr. MOOERS. Thank you, Mr. Chairman, members of the committee.

Mr. SISK. Mr. Mooers, very happy to have you. The committee will be glad to hear from you.

Mr. MOOERS. My name is John Mooers. I live in Houlton, Maine. I am president of the Maine Potato Council and I am appearing here today on behalf of this organization.

The Agricultural Marketing Agreement Act of 1937 as amended was established to provide the farmers with the tools with which to control the quality and movement of their crop going to market.

Marketing orders were in effect for many years in Maine but a set of circumstances developed which caused the farmers to become dissatisfied with the order and it was removed. Part of that dissatisfaction stemmed from the fact that the canning and freezing exemption existed and these outlets could not be regulated.

In the declaration of policy of the act it states that the policy shall be to assist the farmers to get a fair price for their product and to protect the interest of the consumer. This legislation would be in direct conflict with that policy. How can farmers get a fair price

if they were denied the right to regulate the quality of the product they sell? How can a marketing order protect the interest of the consumer if it is deprived of the right to regulate the quality of raw product that goes into the processed product that the consumer will buy?

Processors want to use culls and other low grades of potatoes because they can get them for practically nothing. These low grades often include rotten, damaged and otherwise unsalable potatoes, but by the time they are put through the process they have changed form. The unsuspecting consumer buys a finished product that she would refuse to buy if she could see the raw product that it was made from.

The fresh potato industry of this country is already in trouble. The quality of the potatoes found in retail stores is driving the consumer to other foods. Yet if this bill becomes law we will see all marketing orders for potatoes voted out by the farmers and the quality of fresh potatoes can be expected to deteriorate even more.

We cannot argue the unfairness of some processors being under orders and others being out. There is some inequity involved, but the answer to this problem is to remove all exemptions. Give the farmer back the whole package. Remove the canning-freezing exemption and help the farmer to help himself.

You can rest assured the farmers will not do anything under an Order that will hurt their market; they would be foolish to destroy a legitimate market for potatoes.

I strongly urge that this legislation, H.R. 11243, which would destroy marketing orders for potatoes, be killed and serious consideration be given to the removal of the canning-freezing exemptions.

Mr. SISK. Thank you, Mr. Mooers, for a very staunch defense of your position and a well thought-out statement.

The gentleman from Indiana.

Mr. MYERS. No questions.

Mr. SISK. Thank you, Mr. Mooers. We appreciate very much your testimony.

Mr. SISK. The next witness will be Mr. Edwin C. Hadlock, administrative assistant to John W. Scott, Master, National Grange, Washington, D.C.

Mr. Hadlock, we will be happy to hear you.

**STATEMENT OF EDWIN C. HADLOCK, ADMINISTRATIVE ASSISTANT
TO JOHN W. SCOTT, MASTER, NATIONAL GRANGE, WASHINGTON,
D.C.**

Mr. SISK. Mr. Hadlock, I note that you have a rather extensive statement. I might say before you start that we do not wish to cut you off. We will give you plenty of time. We are shooting at a deadline here which is in about 25 minutes. If you desire, this entire statement will be made a part of the record and you can summarize, or if you prefer, you may read it.

Mr. HADLOCK. Thank you, Mr. Chairman. I appreciate the situation. With that assurance I will be delighted to summarize the statement.

Mr. SISK. All right. Without objection, the full statement will be made a part of the record and you may proceed to summarize it.

Mr. HADLOCK. Thank you.

I am Edwin C. Hadlock, administrative assistant to the Master of the National Grange, with offices at 1616 H Street NW., Washington, D.C.

Although this is my first appearance before this distinguished committee, I am sure that most if not all of you are familiar with the National Grange and our long history of support for self-help farm programs, including marketing orders for fruits and vegetables for all forms of processing.

The Grange is a family-farm, rural-urban organization, representing over 600,000 members located in 40 of our 50 States. It is because of our heterogeneous membership that we have a wide range of legislative interests and address you today representing both the producers of potatoes as well as the ultimate consumers of this excellent product of our land.

The Grange was instrumental in the passage of the original marketing order legislation and appears before you today adding to a history of 32 years of support for market order legislation without a single exception.

However, today our support for marketing order legislation assumes a negative role, as we are opposed to the enactment of H.R. 11243, to amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended.

The fact that all potatoes for processing, except those for dehydrating and chipping, are exempt from the provisions of Federal marketing orders is discriminatory against this particular form of processed potatoes. However, we do not agree with the proponents of H.R. 11243, that the way to make all things equal is to exempt all forms of potatoes from processing from Federal marketing orders. This is too strong a cure and will kill the patient. In fact, several marketing orders have been dropped because of their inability to regulate potatoes for processing.

Marketing orders are presently lying dormant in the Red River Valley and in Maine because of the earlier exemptions and the enactment of H.R. 11243 will surely be the death blow to the remaining orders.

As farmers or producers of a commodity, we look at the purpose of a marketing order, first, to control the quality for the protection of the consumer, and second, to allow producers to affect price by the regulation of quality.

The interests of the consumers are well preserved in the market order legislation and the regulations imposed in marketing orders assure the consumer of a much higher quality product at fair and reasonable prices. The use of a market order does not mean the monopolistic manipulation of the market as some people have erroneously concluded. The Grange feels that the consumers' interests will be better served if potatoes for processing are included under Federal marketing orders. The housewife has just as much right to expect that the processed potato products she purchases have been made from the same high-quality potatoes that she would buy for table use.

This is not to say that the present potato products are not made from good potatoes. They are. But the housewife would have more assurance of high quality if the potatoes were supplied to the processor under the regulations of the Federal marketing order.

We also feel that the best interests of the processor are adequately served by the knowledge that there will be an abundant supply of the

product at a high uniform quality available to the processor. And it will be delivered when most desirable from his standpoint; that the problems of purchasing can largely be eliminated by the proper functioning of the Federal marketing order. The Grange would like to state our earlier position, that it is desirable to amend the Marketing Order legislation to include potatoes for all forms of processing and to prevent processors from having any voice in the development of a marketing order, and then to prevent the producers from having any voice in the sale of the product after it has been processed. To do otherwise regarding coverage of marketing orders is like giving a carpenter a hammer and then breaking the hammer.

We are saying that this is what we think is a matter of conscience and justice. Simply stated it is that the farmer should be allowed to regulate his market according to his best interests with a proper regard being paid to the consuming public and that the processor should be free from interference from the producer in the marketing of his finished product.

It appears to us that this is the basis of mutual assignment of responsibility and mutual cooperation. That can build a strong industry regardless of whether it is in potatoes, pears, peaches, cherries, or milk.

At our 1968 annual session the delegate body reaffirmed basic Grange policy of legislation to enable producers, through referenda, to establish facilities for orderly marketing of agricultural commodities, thus continuing our strong support for self-help farm programs.

We, therefore, urge this committee to adopt, not H.R. 11243, but legislation that will extend Federal marketing orders to potatoes for all forms of processing, in keeping with the purpose and declared policy of Congress as expressed in the act of 1937.

We appreciate this opportunity to appear before this distinguished congressional committee to once more support legislation to increase the farmer's control over his destiny.

Thank you, Mr. Chairman.

Mr. SISK. Thank you, Mr. Hadlock. And we appreciate very much your making your statement brief, and your full statement, of course, is a part of the record.

The gentleman from Indiana?

Mr. MYERS. No questions.

Mr. SISK. Thank you, Mr. Hadlock. We appreciate your making the position of the National Grange clear to the committee.

(The statement follows:)

STATEMENT BY EDWIN C. HADLOCK, ADMINISTRATIVE ASSISTANT TO THE MASTER OF
THE NATIONAL GRANGE

Mr. Chairman and Members of the Subcommittee, I am Edwin C. Hadlock, Administrative Assistant to the Master of the National Grange, with offices at 1616 H Street, N.W., Washington, D.C.

Although this is my first appearance before this distinguished Committee, I am sure that most if not all of you are familiar with the National Grange and our long history of support for self-help farm programs, including marketing orders for fruits and vegetables for all forms of processing.

The Grange is a family farm, rural-urban organization, representing over 600,000 members located in 40 of our 50 states. It is because of our heterologous membership that we have a wide range of legislative interests and address you today representing both the producers of potatoes as well as the ultimate consumers of this excellent product of our land.

The Grange was instrumental in the passage of the original marketing order legislation and appears before you today adding to a history of thirty-two years of support for market order legislation without a single exception.

However, today our support for marketing order legislation assumes a negative role, as we are opposed to the enactment of H.R. 11243, to amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended.

The provisions of H.R. 11243 would exempt from Federal marketing orders "potatoes for canning, freezing, or other processing". It is our understanding that the present Agricultural Marketing Agreement Act of 1937, as amended, already exempts potatoes from marketing orders for canning or freezing in both subparagraphs (A) and (B) of section 608(c)(2). Potatoes for canning were exempt in 1937 and for freezing in 1947; therefore, the only new provision of H.R. 11243 would be to exempt potatoes for "other processing", which would include dehydrating, chipping, etc.

The fact that all potatoes for processing, except those for dehydrating and chipping, are exempt from the provisions of Federal marketing orders is discriminatory against this particular form of processed potatoes. However, we do not agree with the proponents of H.R. 11243, that the way to make all things equal is to exempt all forms of potatoes for processing from Federal marketing orders. This is too strong a cure and will kill the patient—Federal marketing orders for potatoes.

The Grange would be in strong support of legislation to equalize the treatment of potatoes under Federal marketing orders by eliminating the present exemption provided for potatoes for canning or freezing in subparagraphs A and B of the Act. In the Grange view, this would be in keeping with the original intent and purpose of the Agricultural Marketing Agreement Act of 1937, as amended, and would be a far better cure for the patient.

The Federal marketing orders in North Carolina, Oregon, Washington, Idaho and Colorado, represent 52% of the total fall production of potatoes, or 120 million hundredweight. Of this total amount, approximately 10% to 12% are removed from the fresh market and are diverted into processing because of the quality restrictions under the terms of the Federal marketing orders. Therefore, under the provisions of H.R. 11243, this amount of off-grade, sub-standard quality potatoes, would be placed on the fresh market in competition with high quality potatoes, which would have an adverse effect on the price of fresh market potatoes. The other alternative would be the elimination of the marketing order, with even a greater disruption of the fresh market price and orderly marketing, one of the prime objectives of a marketing order.

This increased amount of off-grade potatoes would have the greatest price-depressing effect in the immediate market area, but it also would have an effect on the entire market structure of table stock potatoes. I fail to see why any grower of potatoes in the marketing area of the Federal orders would want to see off-grade potatoes that had previously been diverted into processing be placed on the fresh market. In our opinion, and in the opinion of our members and others in the affected states, that is just what would take place.

In fact, several marketing orders have been dropped because of their inability to regulate potatoes for processing. Marketing orders are lying dormant in the Red River Valley and in Maine because of the earlier exemptions and the enactment of H.R. 11243, will surely be the death blow to the remaining orders.

We believe it would be well for this Committee, Mr. Chairman, to review the reasons for the enactment of the Agricultural Marketing Agreement Act of 1937 and the purpose and intent of Federal marketing orders.

In section 1 of the Act under "Declaration" it states:

"[It is hereby declared that the disruption of the orderly exchange of commodities in interstate commerce impairs the purchasing power of farmers and destroy the value of agricultural assets which support the national credit structure and that these conditions affect transactions in agricultural commodities with a national public interest, and burden and obstruct the normal channels of interstate commerce. (7 U.S.C. 601).]"

In section 2, relating to Declaration of Policy it states:

"DECLARATION OF POLICY

"[Section 2. It is hereby declared to be the policy of Congress—

(1) Through the exercise of the powers conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for agricultural commodities in interstate commerce as will establish, as

the prices to farmers, parity prices as defined by section 301(a) (1) of the Agricultural Adjustment Act of 1938.²

(2) To protect the interest of the consumer by (a) approaching the level of prices which it is declared to be the policy of Congress to establish in subsection (1) of this section by gradual correction of the current level at as rapid a rate as the Secretary of Agriculture deems to be in the public interest and feasible in view of the current consumptive demand in domestic and foreign markets, and (b) authorizing no action under this title which has for its purpose the maintenance of prices to farmers above the level which it is declared to be the policy of Congress to establish in subsection (1) of this section.

(3) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such container and pack requirements provided in section 8(c) (6) (H)³ such minimum standards of quality and maturity and such grading and inspection requirements for agricultural commodities enumerated in section 8c(2), other than milk and its products, in interstate commerce as will effectuate such orderly marketing of such agricultural commodities as will be in the public interest.

(4) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for any agricultural commodity enumerated in section 8c(2) as will provide, in the interests of producers and consumers, an orderly flow of the supply thereof to market throughout its normal marketing season to avoid unreasonable fluctuations in supplies and prices.⁴

(5) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to continue for the remainder of any marketing season or marketing year, such regulation pursuant to any order as will tend to avoid a disruption of the orderly marketing of any commodity and be in the public interest, if the regulation of such commodity under such order has been initiated during such marketing season or marketing year on the basis of its need to effectuate the policy of this title.⁵ (7 U.S.C. 602.)”

We suggest that what is being attempted today by the proposed legislation is not in keeping with the declaration of the policy of Congress.

As farmers or producers of a commodity, we look at the purpose of marketing orders to:

First—regulate the market in such a way that the forces within the market will not destroy the market itself. We have applied the principles of this kind of legislation successfully to many crops, primarily to the perishable fruits and milk. In addition, it has been duplicated by state marketing orders many times and in many states.

Second—to provide an abundance of the product for the market at a reasonable price. It has long been held that market orders themselves cannot be used as a means of only raising prices. However, through regulating quality and other terms of sale, farmers can to some extent effectuate price increases above that which would be obtained without the marketing order.

The interests of the consumer are well preserved in the market order legislation and the regulations imposed in marketing orders assures the consumer of a much higher quality product at fair and reasonable prices. The use of market orders does not mean the monopolistic manipulation of the market, as some people have erroneously concluded.

The Grange feels that the consumer's interest will be better served if potatoes for processing are included under Federal marketing orders. The housewife has just as much right to expect that the processed potato products she purchases have been made from the same high quality potatoes as she would buy for table use. This is not to say that present potato products are not made from good potatoes. They are, but the housewife would have more assurance of high quality if the potatoes were supplied to the processor under the regulation of a Federal marketing order.

We also feel that the best interests of the processors is adequately served by the knowledge that there is an abundant supply of the product at a high uniform quality available to the processor, that it will be delivered when most desirable

² Amended by section 302 of the Agricultural Act of 1948 (July 3, 1948, 62 Stat. 1247) to refer to parity prices as defined in the Agricultural Adjustment Act of 1938.

³ The words “such container and pack requirements provided in section 8(c) (6) (H)” were added by Pub. L. 89-330, 79 Stat. 1270, approved Nov. 8, 1965.

⁴ Subsection (4) added by section 401 of the Agricultural Act of 1954, 68 Stat. 906.

⁵ Subsection (5) added by section 141 of the Agricultural Act of 1961 (Aug. 8, 1961, 75 Stat. 303).

from his standpoint, and that the problems of purchasing can be largely eliminated by the proper functioning of the Federal marketing order. Therefore, from the standpoint of the historical operations of the market order, we do not believe that processors have any reasonable gains to accomplish by adoption of this kind of legislation.

The Grange would like to state our early position that it is desirable to amend the marketing order legislation to include potatoes for all forms of processing and to prevent processors from having any voice in the developing of a market order, and then to prevent the producers from having any voice in the sale of the product after it has been processed. To do otherwise regarding coverage of marketing orders, is like giving a carpenter a hammer to build a house and then breaking the handle.

What we are saying is what we think is a matter of common sense and justice. Stated simply, it is that the farmer should be allowed to regulate his market according to his best interest with proper regard being paid to the consuming public and that processor should be free from interference from the producer in marketing of his finished product. It appears to us that this is the basis of mutual assignment of responsibility and mutual cooperation that can build a strong industry, regardless of whether it is potatoes, pears, peaches, cherries or milk.

The growing need for farmers to develop stronger joint programs in order to maintain a healthy, efficient food marketing system has been stressed by the June, 1966, report of the National Commission on Food Marketing, which pointed out that:

"Farmers as independent operators have not been able to coordinate quality improvement programs or to schedule more even flows of products to the extent demanded by today's food industry . . . Some form of governmental sanction for collective action will be needed, at least for a substantial period of time. Federal and State marketing orders and agreements are long-standing examples of instruments of this kind . . . (As an approach which is often complementary to cooperative organizations) they should be authorized for any agricultural commodity produced in a local area or regional subdivision of the United States. This is even more true today than in 1966."

In conclusion, Mr. Chairman, please permit me to re-state some basic Grange policy regarding farm marketing.

Our Journal of Proceedings for 1961 stated:

"MARKETING ENABLING LEGISLATION"

"The Grange has long advocated the commodity-by-commodity approach in the development of farm programs, and recognized the marketing order as a useful tool in developing such programs. Under existing Federal law, however, this and similar tools are not available to the producers of many commodities. If it becomes apparent that there is a broad desire on the part of the producers of any such commodities now excluded by law to have the opportunity to develop and vote on marketing-order type measures, we will support their efforts to obtain necessary enabling legislation."

In addition, in 1959, Grange policy regarding marketing orders was expressed as follows:

"Increased producer bargaining power.—The Grange believes that farmers are entitled to bargaining power comparable to that enjoyed by 'labor' and 'business'. Farmers are both. Our programs would, therefore, seek to place responsibility for—and the control of—excess production in the hands of producers themselves.

"Provide producer-managed marketing programs.—Through legislation, government has helped develop the bargaining power of organized labor. Other Federal laws often enable 'business' to regulate and control production and marketing of its products and services. Likewise, government should provide the framework for producer-managed commodity marketing programs, where necessary, to enhance producer-bargaining power."

At our 1968 Annual Session, the Delegate Body reaffirmed basic Grange policy of legislation to enable producers, through referenda, to establish facilities for orderly marketing of agricultural commodities, thus continuing our strong support for self-help farm programs.

We, therefore, urge this Committee to adopt, not H.R. 11243, but legislation that will extend Federal marketing orders to potatoes for all forms of processing, in keeping with the purpose and declared policy of Congress as expressed in the Act of 1937.

We appreciate this opportunity to appear before this distinguished Congressional Committee to once more support legislation to increase the farmer's control over his own destiny. Thank you, Mr. Chairman, for permitting the National Grange this privilege.

Mr. SISK. The next witness is Mr. Mercker, executive secretary, Vegetable Growers Association of America, Washington, D.C.

STATEMENT OF A. E. MERCKER, EXECUTIVE SECRETARY, VEGETABLE GROWERS ASSOCIATION OF AMERICA, WASHINGTON, D.C.

Mr. SISK. The committee will be glad to hear from you, Mr. Mercker.

Mr. MERCKER. I want to thank the committee for the opportunity given me to appear before you in connection with H.R. 11243. My name is Albert E. Mercker and since 1965 I have been executive secretary of the Vegetable Growers Association of America.

The Vegetable Growers Association of America takes exception to this bill as it would preclude potatoes from dehydration and other processing, from being included under regulations by marketing orders. During the 1930's marketing orders were in effect for many commodities for a crop year. However, after World War II marketing orders were again adopted by many of the potato-producing areas. The orders have been very helpful in bringing producers in all segments of the industry together and that is hard to come by.

Vegetable and potato growers must be alert and efficient businessmen. They must know chemistry, physics, genetics, and mathematics and must be plant nutrient experts. Not only that, but they must be well versed in many other fields, including marketing policies and crop production. Their individual and collective investment is now tremendous. Because they are more alert businessmen they have worked under marketing orders in these many areas. For instance, in Idaho they have operated continuously under a marketing order since August 6, 1948.

Per capita potato consumption decreased, reaching a low of 102 pounds per person in 1956. We must give the processor credit for during and after World War II they learned how to process a good product, so that per capita consumption is now estimated at about 112 pounds per person. Consumption of potatoes in the fresh form, however, declined to 64 pounds per person and increased to 48 pounds per person in the processed form, which resulted in an increase of 55.8 million hundredweight in total consumption or about one-third more than was used for food in 1956.

Marketing orders have taught growers, handlers, and processors to work together keeping in mind their own interests, needs, and responsibilities of all concerned so that they developed a close relationship and generally have worked in harmony, discussing their mutual problems, and formulating a policy whereby the marketing of their product would meet the consumptive requirements. This has been most worthwhile and helpful.

I am sure the processors want good potatoes but to restrict the authority of the marketing orders committee through this legislation would merely result in harm to the industry as a whole and may break up the harmonious relationship that exists. This, in turn, may bring about price chiseling between processors to buy the commodity on the basis of low grades and reduce the price to the producer, resulting in a reduction of his income from potatoes. This would be most harmful to

the industry as a whole for we have seen chiselers in many areas use the ammunition of the producer to conduct his own warfare and result in lowered incomes for the product.

Vegetable crops, including potatoes and sweet potatoes, are not price supported.

At its February 1969 meeting the Vegetable Growers Association of America unanimously adopted its resolution No. 17 entitled "Marketing Agreements," which reads as follows:

With an increasing interest in marketing agreements, and where it appears that a considerable segment of the growers of any given commodity in a homogeneous producing area desire the adoption of such an agreement, this Association will make available its staff and facilities in affording information and assistance to the local State member associations in establishing the proper contacts and procedures with the U.S. Department of Agriculture. We believe these marketing agreements should be confined to local, State, or compact regional producing areas of the specific commodity only.

For these reasons the Vegetable Growers Association of America strongly disapproves of H.R. 11243. This bill, as well as Senate bill No. 2214, is contrary to the policies adopted by the 90th Congress, which has passed legislation to strengthen the bargaining power of growers, as set forth in Public Law No. 90-288, 90th Congress, S. 109, April 16, 1968, to prohibit unfair trade practices affecting producers of agricultural products, and for other purposes.

In addition, many bills have been introduced in the 91st Congress to strengthen the legislation previously enacted and it is difficult to understand what the purpose can be to have legislation enacted that would have a countereffect on already enacted legislation.

Under a marketing order or a controlled program it is impractical to control one segment, namely the fresh product, without controlling all segments, including the processed product. The programs can only be successful if the regulations under the order are administered with equal justice to each segment. The Congress has fully supported this type of program under Public Law No. 288, which requires Government administration and which promotes equality. This bill precludes growers from assuming regulatory functions which necessarily is the responsibility of the Government. On the other hand, if you take out all processing it would be contrary to the ideas set up under Public Law No. 288 to prohibit unfair trade practices brought about by price cutting and unfair competition between growers and handlers selling to the fresh market or to the processing segment.

When marketing orders were first initiated most of the fresh market vegetables and other farm products were sold in the fresh form. Processing was generally much removed from the general procedures and the marketing of fresh products. Things have changed whereby per capita consumption of the fresh products has declined while the per capita consumption of the processed vegetables has increased.

In conclusion it appears that revamping of the marketing order laws should be carefully studied and changed to bring them up to date to meet the important changes mentioned above.

The Vegetable Growers Association of America opposes this bill but would work with the committee in setting up much needed marketing procedure. It is impractical to let one segment of an industry carry the load, particularly when competing in the marketplace.

Thank you, gentlemen, for your time and attention.

Mr. SISK. Mr. Mercker, the committee appreciates very much your statement.

The gentleman from Indiana.

Mr. MYERS. I just have one question. On page 2 you say something about chiseling between processors to buy the commodity on the basis of lower grades. Wouldn't this come under the Fresh Food Act?

Mr. MERCKER. Perishable Agricultural Commodities Act. I don't think so. That is more in the line of cheating, not chiseling.

Mr. MYERS. Cheating is chiseling.

Mr. MERCKER. I mean, Perishable Agricultural Commodities Act is a code of ethics, particularly that you must pay a producer or pay the person from whom you bought the goods for the goods that you purchased. Otherwise you lose your license and are put out of business.

Mr. MYERS. You say by grades here, lower grades. In other words, I thought you meant here they were going to tell the producer he has a lower grade than he actually has, and I thought that is what this act provided.

Mr. MERCKER. It could be so.

Mr. MEYER. OK.

Mr. MERCKER. It could be. I ran a clearinghouse on potatoes, for potato growers, from Dade County, Fla., on up to the coast, Snow Hill, Md., and into New Jersey, and I tried to get them together in 1929 through 1937 and it was some job—voluntary action.

Mr. SISK. Thank you, Mr. Mercker. We appreciate very much your statement.

The next witness, and the last witness, is Mr. Reuben L. Johnson. I believe he is not in the room, but he has filed a statement in the form of a letter to Congressman Foley, subcommittee chairman, and without objection his letter will be made a part of the record.

(The letter follows:)

NATIONAL FARMERS UNION,
Washington, D.C., June 6, 1969.

HON. THOMAS S. FOLEY,

Chairman, Domestic Marketing and Consumers Relations Subcommittee of the
House Agriculture Committee, House Office Building, Washington, D.C.

DEAR CONGRESSMAN FOLEY: National Farmers Union is opposed to H.R. 11243 which would exempt all potatoes for processing from the provisions of the Agricultural Marketing Agreement Act of 1937. The introduction of the bill has provided the opportunity for us to strongly urge that the present exclusion of potatoes for canning and freezing under the Act be rescinded. There is absolutely no sound and practical reason why all potatoes for whatever use should not be extended Market Order coverage where producers approve.

For all practical purposes, if the legislation before the Subcommittee were approved any further development of Marketing Orders for potatoes would be extremely difficult if not impossible. The reason is that most of the areas producing potatoes produce for both fresh market and processing uses. Unless all potatoes produced are under the Market Order in a particular area effective administration of a Marketing Order would be impossible.

We urge the Subcommittee to (1) reject H.R. 11243 and (2) take action to amend the Agricultural Marketing Agreement Act of 1937 to provide that all potatoes including those for canning and freezing be covered under the provisions of the Act.

Sincerely,

REUBEN L. JOHNSON,
Director of Legislative Services.

Mr. SISK. Mr. Johnson is representing the Farmers Union, and they urge the rejection of the pending bill.

(The following letters and statements were also submitted to the subcommittee:)

NATIONAL FARMERS UNION,
Othello, Wash., June 11, 1969.

DEAR MR. FOLEY: Enclosed please find a number of copies of contracts used in this area by the processors and farmers.

I am sending these copies to verify the three testimonies given Monday and Tuesday relating to S. 2214 and H.R. 11243.

I have boxed in the information on each contract which stated we receive 10 cents a ton (2,000 lbs.) of culls to these processors.

Mr. Foley, with processors all being controlled under their marketing order, production can more or less be controlled by these state committees by how much of this production can be released on the market for human food and consumption. If a crop is 10% in surplus it will depress the price. The Marketing Order Committee can legally remove this surplus, leaving the market price in a stable position.

We feel potato diversion, the cost of this program is not good. Marketing orders can help to avert this diversion situation.

Farmers need support by your Committee. Please help us.

HERMAN J. FICHLING,
Co-Vice President.

(Attached to the above letter were nine contracts. The cost of printing these lengthy documents precludes the printing in this record. Copies of these documents may be found in the files of the committee. However, following are a few excerpts from these contracts emphasizing the point made in Mr. Fichling's letter:)

"Contract price: \$27.50 per ton for 1's and 2's. 10 cents per ton for culls."

"A payment of 10 cents per ton will be made to Grower by Company for cull potatoes delivered under this contract."

"The determined price will apply to No. 1 and No. 2 potatoes only. Culls will be paid for at the rate of ten cents (\$.10) per ton."

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., June 12, 1969.

HON. THOMAS S. FOLEY,
Chairman, Domestic Marketing and Consumer Relations Subcommittee, House
Committee on Agriculture, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN FOLEY: On June 4 we wrote you concerning H.R. 11243 and asked to file a statement after our Board of Directors had reviewed this legislation at their meeting this week.

This legislation would amend the Agricultural Marketing Agreement Act of 1937 to exempt potatoes for all types of processing from federal marketing orders. Obviously, the legislation has far-reaching implications to all potato growers—whether they produce potatoes for the fresh market or for processing.

Because of this fact the AFBF Board of Directors recommends that the Subcommittee delay action on this bill until potato producers have been given more opportunity to review its effect on them and the marketing order program. The Farm Bureau will make this legislation a subject for consideration by our members in our organization's policy development process during the coming months.

We therefore urge that any action on this legislation be delayed until early next year.

We would appreciate this letter being made a part of the hearing record.

Sincerely yours,

MARVIN L. McLAIN,
Legislative Director.

POTATO PROCESSORS OF IDAHO,
Pocatello, Idaho, June 12, 1969.

HON. THOMAS S. FOLEY,
Chairman, Committee of Domestic Marketing and Consumer Relations,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN FOLEY: On Monday, June 9, 1969, I had the opportunity to present testimony in behalf of the Potato Processors of Idaho Association on proposed Bill HR 11243. During the hearing, some statements were made which gave entirely the wrong impression about the potato processing industry. The purpose of this letter is to attempt to give you the correct information about the potato processing industry and, if possible, to enter this letter as a part of the hearing record.

(1) John Mooers, President of Maine Potato Council, Houlton, Maine, stated, "Processors want to use culls and other low grades of potatoes because they get them for practically nothing. These low grades often include rotten, damaged and otherwise unuseable potatoes, but by the time they are put through the process they have changed form. The unsuspecting consumer buys a finished product that she would refuse to buy if she could see the raw product that it was made from."

(2) Mr. Bruce O. Nichols, Coordinator for NFO, stated, "Much of the potatoes purchased for processing are cull potatoes purchased for ten cents per hundred weight or even ten cents per ton. The product is bought cheap because it is of low quality on the fresh market."

(3) Mrs. Ray Voss, active worker for NFO and wife of a potato grower from Pasco, Washington, stated, "In irrigated areas, management is so crucial as to verge on the impossible, unless of course, they aren't worried because you know you can get rid of your junk for a price—running it through your own plant."

In each of the above testimonies it is stated and/or implied that potato processors are obtaining extremely low grade potatoes of very questionable nutritional and quality standards. It is further suggested that potato processors are marketing a product which does not generally meet consumer demands, and is an inferior product. On behalf of the Potato Processors of Idaho, I'd like to emphatically state that this is not true. Potato processors who produce food items are generally purchasing field run potatoes, or in some cases, they obtain US No. 2 processing grade. In either case, the quality is excellent and compares favorably with the quality of the fresh potato in any supermarket.

Every processing plant is regularly inspected by FDA. The implication that extremely low grade potatoes or "junk" is processed is very misleading. The overwhelming consumer demand for processed potatoes should be evidence enough that the consumer is getting an excellent product. The term "cull" as used during hearings before your committee is generally misunderstood. To a grower who has been accustomed to selling his potatoes on the fresh market, any potato that is small or misshapen is called a "cull". In the potato dehydration industry size and shape are of secondary importance. A "cull" to a processor includes the green, not insect damage, etc. These potatoes are removed from the process and do not find their way into the final product.

Today, in the U.S., better than 42% of all potatoes are being processed and packaged to meet the growing demand for convenience foods. The USDA predicts this percentage will increase to 80% in the immediate years ahead. Already, Idaho is processing better than 65% of its entire potato crop.

As I stated in my testimony, "In marketing, we sometimes have a tendency to discount the consumer demands wherein lies our long term solution to our marketing problems. To be more specific, the potato processing industry is now tapping an entirely new potato market and have reversed the downward trend in consumption of potatoes. The processing industry can be the salvation of potato industry if allowed to operate in a free competitive business atmosphere."

The Idaho potato growers have been offered this year the highest pre-season contract in history. This is a very attractive price to the grower. The present price in Idaho for US #2 Processing Grade for dehydration, is generally \$1.50/cwt. at the source. Idaho had a high of \$2.00/cwt. earlier in the season for this dehydration grade.

Let me emphasize again that H.R. 11243 is urgently needed to save the dehydrated potato processing industry from possible economic disaster. The enclosed

pamphlet explains why your favorable consideration of H.R. 11243 will be greatly appreciated.

Sincerely,

F. W. "BILL" BERGESON,
Secretary-Manager.

TULELAKE GROWERS ASSOCIATION,
Tulelake, Calif., June 12, 1969.

HON. HAROLD T. JOHNSON,
House of Representatives,
Washington, D.C.

SIR: Mr. Willie Edwards, our representative at the hearings on HR 11243 and S 2214, has advised that a section of the Tulelake Growers testimony has been questioned.

Please incorporate the following statement in the Congressional Record, on our behalf:

"Records of potato growers and buyers of this general area verify that prices received by potato growers for "B" or cull grades averages approximately 10 to 12 cents per hundredweight. This is based on records from 1960 to 1969 average net to the grower."

We appreciate your assistance in helping to defeat this bill which would be so disastrous to the potato growers.

Yours very truly,

LARRY C. HAYNES, *President.*

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D.C., June 16, 1969.

HON. THOMAS S. FOLEY,
Chairman, Special Subcommittee on Domestic Marketing and Consumer Relations,
House Committee on Agriculture, U.S. House of Representatives, Washington,
D.C.

DEAR MR. FOLEY: The National Council of Farmer Cooperatives is in opposition to H.R. 11243, the proposed amendment to Section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, which would further limit eligibility of processing potatoes for federal marketing orders.

Our current policy statement on Marketing Agreements and Orders includes the following: "The National Council favors legislation for the continuation and liberalization of the marketing agreement and order type authority to provide for inclusion of additional commodities under the marketing agreement and order authority, and to specifically provide that fruits and vegetables for processing now excluded may make use of federal marketing orders and agreements whenever such orders or agreements affect the farmer-producer primarily and are approved by a majority of these producers affected. Whenever they regulate the processed product, such orders or agreements become effective only upon the voluntary assent of a majority of the handlers affected, and should be administered jointly by producers and handlers."

We recognize that problems do arise from different treatment for different types of handlers or processors, and endorse the suggestion of the U.S. Department of Agriculture spokesman before your Committee that "An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the Act."

We would appreciate it if you will include this statement as part of the hearing record on H.R. 11243.

Sincerely,

ROBERT N. HAMPTON,
Director of Marketing and International Trade.

SHELLEY, IDAHO, June 16, 1969.

HON. THOMAS FOLEY,
Representative from Washington,
Washington, D.C.

DEAR MR. FOLEY: I am writing this concerning an issue which I feel is of great importance to the farm and business people of Eastern Idaho. The issue

is whether or not the potato processors should be exempt from potato marketing orders.

My interests in this are:

1. I am the District Conservationist for the Soil Conservation Service and as such meet with and talk to many farm and business people. The farmers and small businesses alike are fighting a battle for survival, with few exceptions. Part of my duties are to help these people bolster their economy.

2. I am a member of the Bingham County Technical Panel. This Panel about a year ago named the number one problem of the county as being low farm income.

3. For sometime now I have been acting in the capacity of secretary of a committee to eliminate poverty in Bingham County. So far we haven't found a solution, primarily because of low farm prices over which we have no control.

The O.E.O. reported one family in five in the County as living in poverty. The people mostly affected are farm laborers, small farmers and people who have retired or in some other way depend upon agriculture for income.

4. I am a farm owner depending upon a share lease. So far the farm has not been profitable except for one year, 1964, which was a good price year for potatoes because it was a short crop. I would like to make this a profitable enterprise. If my renters can't make it neither can I. The farmer's desire to make a profit is just as great and right as anyone's.

The big money crop in Bingham County is potatoes. The economy is primarily influenced by agriculture. This issue could have considerable effect on the farm price of potatoes and influence on the economy of all Eastern Idaho.

President Nixon in an address Feb. 3, 1969, to the Department of Agriculture stated, "I know that the Secretary in his opening statement made it quite clear that one of the first priority assignments of his administration of this department would be to see to it that America's farmers received their fair share of the increasing growth and wealth and productivity of the Nation."

That the farmers are not now enjoying their full share was confirmed by Under Secretary of Agriculture J. Phil Campbell in an address before the American Turpentine Farmers Ass'n Cooperative in Valdosta, Georgia, April 16, 1969. He said, "There isn't a person here who does not know that agriculture has excess productivity—a capacity to produce more than the market will take. And every person here knows that this has been for years, and is today, a major reason why farm people have less than \$3 of income per person for every \$4 nonfarmers have."

Marketing orders, while not affecting the productivity directly does have some effect on the quality, size and amount placed on the market.

Today about 80% of the potatoes grown are marketed through the processors. The percentage is growing each year. The number of outlets is becoming smaller. Independent shippers, like farmers, have been and are being forced out. Marketing through processors has mushroomed indicating an economic advantage to them. Part of that economic advantage comes from a sizable quantity of potatoes at a cost to the processor much below the farmer's cost to grow them.

It is common practice for the processor to sell select potatoes on the fresh market and process the lower grades and small sized potatoes. Prices to farmers for culls and small size run 10 cents per cwt. and some years amounts to one-fourth or more of the total crop. The Russet potato, while a high-quality potato, is difficult to grow and is grown with a high percentage of culls and undersized potatoes because of climate and varietal characteristics.

While these low-priced potatoes may cost a little more to process than U.S. No. 1's, when in the package they are worth just as much and do effect a lower price to the farmer for better quality potatoes.

To the processor they are highly profitable. The farmer grows them at a cost many times the returns. These potatoes should be kept off the market or the processor should pay a fair price for them.

Farmers are disadvantaged in dealing with processors:

1. Processors are more quickly and better informed on potato supplies, end product supplies, price trends, weather influences and other factors which give them definite bargaining advantage.

2. Farmers are usually better equipped, qualified and informed to produce than they are to market. Processors have trained personnel for singular responsibility.

3. Farmers decisions are too often influenced by the need for cash to pay taxes, notes and mortgages. Money lenders require contracts although these contracts may, and often do, disadvantage the farmer.

4. Unorganized the farmer has little bargaining power. He can bargain only with an employee who has limited leeway to make price concessions for the company. The result is a one-way deal.

I realize that marketing orders cannot alone correct the inequities of the industry, but I see no fairness nor sense in eliminating 80% or more of the marketing from marketing orders to the disadvantage of the growers.

I recommend that marketing orders apply to processors including canners and freezers.

While these conclusions are my own, I think they are consistent with the declaration of the President and of the Dept. of Agriculture and with their objectives of restoring to the farmer his fair share of the growth, wealth and productivity of this Nation and of Eastern Idaho.

Sincerely yours,

MARK E. HILL.

FACTORS AFFECTING POTATO MARKETING AND PRICES

(Presented by G. B. Wood, Oregon State University)

In developing this topic, I would like to do three things. First, I would like to establish some bearing points relative to the potato industry. In other words, I would like to establish what we know about this industry. Second, I would like to review the potato situation. Third, I would like to take a look at the future, to see what we need to know to have a sound progressive potato industry.

SOME BEARING POINTS RELATIVE TO THE POTATO INDUSTRY

The potato industry has been going through a rather substantial revolution in recent years. There are fewer but larger potato farms than at any time in the history of this industry. They are not only specialized, mechanized farms, but they are well integrated with contract production being commonplace in the industry. In recent years, there has been a rather marked change in the regional production pattern of potatoes. For the most part, acreage has stabilized in the Midwest and East, but it continues to expand in the West. At the same time, yields are up particularly in the West and in Oregon. Processing opportunities are now an important ingredient in the successful potato business. In some cases, processing opportunities are absolutely necessary for the survival of the business.

The potato industry has one of the highest rates of instability in both prices and income to growers to be found anywhere in agriculture. The year-to-year variation in prices received for potatoes, when compared to variations in the general farm price level, averages about 47%. This variation is five to eight times greater than the price variation on a year-to-year basis for most field crops. When compared with meat animals, hogs have a year-to-year price variation around the general farm price level of about 16%; and beef cattle have a year-to-year price variation of about 11%.

This instability in prices arises primarily from two factors. First, from the very highly inelastic demand for potatoes; and second, from yearly variation in potato production. The demand inelasticity for potatoes is about -0.20 . This means that a 1% change in production causes about a 5% change in price, inversely. Consumers want about 110-112 lbs. of potatoes per person per year regardless of the mix in which those potatoes are purchased. It is interesting to note that recent variations in potato production have averaged about 8% per year. About three-fifths of the variation in production is due to variations in potato acreage. The other two-fifths of the year-to-year variation in production is due to changes in yield. The potato industry is highly vulnerable to instability, due to the large investment involved, the high cost of production and the financial commitments necessary to bring in a crop.

In most years, the industry has had to rely upon some disposal or diversion program to bring market supplies within reasonable balance to demand. Since the 1950's, the industry has seen potato supplies brought into balance with demand either through weather effects or some form of government program. The potato surplus is estimated to be about 5 to 6% per year. The situation is further complicated by the fact that potato surpluses are very difficult to handle.

The industry has relied upon marketing orders to provide some sort of equity in the supply-demand balance. Currently, marketing orders are operative in six areas and cover about 70% of the late crop potatoes. These marketing orders have been most effective in quality improvement. In addition, the United States Department of Agriculture has issued marketing guides to provide a suggested level of production which is likely to result in a realistic price. It appears that these marketing guides have had little effect on the production-marketing balance. On the average, growers have overplanted about 5% based upon the USDA marketing guides. In the late crop potato areas, the overplant has run about 8% per year.

THE 1967-68 POTATO SITUATION

Total potato production amounted to 305.9 million hundredweight in 1967 which was slightly below the 1966 record tonnage. 1967 potato yields, however, averaged about the same as the 1966 record high of 210 hundredweight per acre. The average production per acre in the 1961-65 period was 200 hundredweight. One complicating factor in 1967 was the record tonnage of fall potatoes, about 2% above the 1966 period.

Potato prices were relatively strong into the late summer of 1967 and began to decline as the harvest accelerated. By December '67, the average farm price of potatoes was \$1.69/cwt., nearly 25% below a year earlier and the lowest December price since 1963. In terms of parity prices, the December 1967 average price was at 59% of parity as compared to 77% of parity in December '66. Idaho Russet potatoes, for example, were \$2.72/cwt. FOB shipping point in January 1968 as compared to \$4.46 a year earlier. Oregon Russets in January 1968 were \$2.72/cwt. compared with \$5.18 the previous year. To help relieve this low price situation, a Section 32 diversion and purchase program was initiated in January 1968.

When one begins to examine the buildup of this unfavorable potato year in 1967, all that is needed is to go back to the 1964 year when freezing weather brought the highest potato prices in about 40 years of record. Acreage expanded 8% in 1965 over 1964; another 5% in 1966 over 1965; and in 1967 acreage increased another 2% over 1966. Harvesting weather in the fall of '67 was excellent and storage losses were at a low level. As a result, the 1967 year started with about 9% larger stocks than were on hand in 1966. Larger stocks coupled with a buildup in production in the face of a rather constant total demand for potatoes presented a troublesome situation. What resulted in 1967 was very unprofitable prices to potato growers throughout the country.

In 1968, the fall potato crop was down from 1967 in all regions of the country. In December, the fall potato crop was 5% less than last year. All together, the total U.S. potato crop was down about 4%. As a consequence, potato stocks on January 1, 1969, in all fall producing areas were approximately 8% below the record holdings of 1967. In Oregon, January 1 holdings were 5.7 million hundredweight, down nearly 6% from last year. In the Western states, stocks were 11% below a year ago.

The smaller supply of potatoes had a corresponding effect on potato prices. As of January 10, 1969, U.S. No. 1A Idaho Russets ranged from \$4.30 to \$4.60/cwt. FOB Idaho Falls. These prices were from \$2.60 to \$2.80 above a comparable range a year ago. In Chicago, FOB price was \$6.00. In Oregon, the unwashed U.S. No. 1A Russets ranged from \$3.50 to \$3.60/cwt. in the Klamath Basin. This situation again typifies the high instability that confronts the Oregon and U.S. potato industry.

WHAT ABOUT THE FUTURE?

It seems to me that one of the most urgent things that needs to be done for the potato industry is to find ways of reducing price instability which will contribute to improved grower returns. This industry is now big business. It is a business with high costs and high financial commitments. It requires a substantial investment. Diversion and disposal programs are not the long run solution to this price instability. Some form of industry managed production seems essential for the successful continuation of this industry. Studies need to be directed toward means by which the demand for potatoes can be manipulated to the benefit of this industry. Most people don't have answers to these questions. Answers will be found in very carefully directed *programs of research and development by both industry and by our Land-Grant Universities.*

The future of this industry lies in the application of science and technology to the potato business. Processing outlets apparently hold the key to area ex-

pansion. The potato is now a raw material which is manipulated in many ways to develop new food products that will challenge the imagination of the consuming public. Undoubtedly, the development of the processing segment of your industry will continue to be the most glamorous part of the potato business. The Oregon potato industry generates about 22 million dollars of income for our state. The value added by the various processing segments, however, amounts to about 36 million dollars which provides a total income generation of 58 million dollars for Oregon's economy.

If the application of science and technology to your business is to be realistic in the years ahead, your industry must contribute more private support to research and development. It seems to me that your industry has a real stake in this kind of investment. It has been *estimated by some of our people at Oregon State University that investment in research can pay big dividends—as much as 30% on each dollar invested in research.* Any member of your industry who operates his business today as he did three or four years ago is either obsolete or is on the verge of becoming so. The biggest problem that most industries face is to keep up with the times. It is important to know what is going on. The availability of information that will “create change” in the potato business will never be as important to you or as costly to you as it will be in the future. But this is the kind of information which pays those handsome dividends and which prevents obsolescence.

Mr. SISK. That concludes the witnesses listed on this particular legislation; unless there is a witness that has been overlooked in the room. The committee wishes to thank all of you, many of you who have come from great distances, to testify on this subject. The hearings are closed.

The committee is adjourned.

(Whereupon, at 4:20 p.m., the committee was adjourned.)



LEGISLATIVE HISTORY
Public Law 91-196
S. 2214

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Index and summary of S. 2214	.1
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INDEX AND SUMMARY OF S. 2214

May	14, 1969	Rep. Edwards, Calif., introduced H. R. 11243 which was referred to House Agriculture Committee. Print of bill as introduced.
May	20, 1969	Sen. Murphy introduced S. 2214 which was referred to Senate Agriculture and Forestry Committee. Print of bill as introduced.
Aug.	7, 1969	Senate subcommittee approved S. 2214.
Sept.	17, 1969	Senate committee voted to report S. 2214.
Sept.	18, 1969	Senate committee reported S. 2214 with amendments. S. Report No. 91-418. Print of bill and report.
Oct.	16, 1969	Senate passed S. 2214 as reported.
Oct.	20, 1969	S. 2214 was referred to the House Agriculture Committee. Print of bill as referred.
Nov.	26, 1969	House subcommittee approved S. 2214.
Jan.	23, 1970	House committee voted to report S. 2214.
Jan.	27, 1970	House committee reported S. 2214 without amendment. H. Report No. 91-802. Print of bill and report.
Feb.	3, 1970	House Rules Committee reported a resolution for consideration of S. 2214.
Feb.	9, 1970	House passed S. 2214 without amendment.
Feb.	20, 1970	Approved: Public Law 91-196.

H. R. 11243

IN THE HOUSE OF REPRESENTATIVES

MAY 14, 1969

Mr. EDWARDS of California (for himself, Mr. GUBSER, and Mr. McCLOSKEY)
introduced the following bill; which was referred to the Committee on
Agriculture

A BILL

To amend section 608 (c) (2) of the Agricultural Marketing
Agreement Act of 1937, as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That section 608 (c) (2) of the Agricultural Marketing
4 Agreement Act of 1937, as amended, is amended as follows:

5 (1) In subparagraph (A) after the words "vegetables
6 (not including vegetables, other than asparagus, for canning
7 or freezing" insert the words "and not including potatoes
8 for canning, freezing, or other processing"; and

9 (2) In subparagraph (B) after the words "fruits and
10 vegetables for canning or freezing," insert the words "includ-
11 ing potatoes for canning, freezing, or other processing,".

91ST CONGRESS
1ST Session

H. R. 11243

A BILL

To amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended.

By Mr. Edwards of California, Mr. GUBSER,
and Mr. McCloskey

MAY 14, 1969

Referred to the Committee on Agriculture

S. 2214

IN THE SENATE OF THE UNITED STATES

MAY 20, 1969

MR. MURPHY (for himself and Mr. CRANSTON) introduced the following bill;
which was read twice and referred to the Committee on Agriculture and
Forestry

A BILL

To amend section 608 (c) (2) of the Agricultural Marketing
Agreement Act of 1937, as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That section 608 (c) (2) of the Agricultural Marketing
4 Agreement Act of 1937, as amended, is amended as follows:

5 (1) In subparagraph (A) after the words "vegetables
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10 vegetables for canning or freezing," insert the words "in-
11 cluding potatoes for canning, freezing, or other processing,".

91ST CONGRESS
1ST Session

S. 2214

A BILL

To amend section 608 (c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended.

By Mr. MURPHY and Mr. CRANSTON

MAY 20, 1969

Read twice and referred to the Committee on
Agriculture and Forestry

Aug. 7, 1969

SENATE

9. RECREATION. The Interior and Insular Affairs Committee reported with amendment S. 2564, to amend the Act fixing the boundary of Everglades National Park, Fla., and authorizing the acquisition of land therein, in order to authorize an additional amount for the acquisition of certain lands for such park (S. Rept. 91-347). p. S9380
Concurred in the House amendments to S. 912, to provide for the establishment of the Florissant Fossil Beds National Monument in Colo. (pp. S9378-9). This bill will now be sent to the President.
Sen. Yarborough inserted Jean Hunt's review of the book, "America the Raped." p. S9389
10. WATER QUALITY. The Public Works Committee reported with amendments S. 7, to amend the Federal Water Pollution Control Act, as amended (S. Rept. 91-351). p. S9381
11. GREAT PLAINS. Conferees were appointed on H. R. 10595, to amend the Act of August 7, 1956 (70 Stat. 1115), as amended, providing for a Great Plains conservation program (p. S9359). House conferees have been appointed.
12. EXPORT CONTROL. Agreed to without amendment H. J. Res. 864, to provide for a temporary extension to October 31, 1969, of the authority conferred by the Export Control Act of 1949 (p. S9360). This bill will now be sent to the President.
13. DISASTER RELIEF. Sen. Spong, Va., was substituted for Sen. Gravel, Alaska, as a conferee on the part of the Senate on the Calif. disaster relief bill. p. S9380
14. TAXATION. Sen. Long inserted an editorial, "From Confusion to Chaos," which discussed the tax reform package. pp. S9356-7
15. POTATOES. The Daily Digest states a subcommittee of the Agriculture and Forestry Committee approved for full committee consideration ~~S. 1181, "proposed Potato Research and Promotion Act (with amendments), including one which would add the text of S. 1862, permitting projects for paid advertising under marketing orders applicable to tomatoes" and "S. 2214, to exclude potatoes for all types of processing from provisions of the Agricultural Marketing Agreement Act (amended) so as to provide for exemption of potatoes for processing from marketing orders for a period of 2 years."~~ p. D735
16. REVIEW COMMITTEES. A subcommittee of the Agriculture and Forestry Committee approved for full committee consideration S. 2226, to amend the Agricultural Adjustment Act with regard to appointment of review committee members. p. D735
17. MINING. The Interior and Insular Affairs Committee voted to report (but did not actually report) S. 719, to establish a national mining and minerals policy. p. D736
18. IRRIGATION. The Interior and Insular Affairs Committee voted to report (but did not actually report) S. 203, to amend the Act of June 13, 1962 (76 Stat. 96), with respect to the Navajo Indian irrigation project. p. D736

19. GRAZING FEES. The Daily Digest states the Interior and Insular Affairs Committee "approved a committee resolution proposed by Senator Church asking the Departments of Interior and Agriculture to carefully review grazing fee schedules announced last January." p. D736
20. ENVIRONMENTAL QUALITY. Sen. Muskie inserted the text of his proposed Inter-governmental Power Coordination and Environmental Protection Act which was inadvertently omitted from the Record when he introduced the bill. pp. S9394-5
21. PESTICIDES. Sen. Nelson inserted an article, "Search for a Pesticide," which "cites the spread of pesticides throughout the environment." pp. S9400-01
22. HUNGER. Sen. Yarborough inserted an article which calls for "a free basic diet for every American." He stated that he has "some reservations" about the approach the author suggests, but that her comments merit consideration by us all. pp. S9401-3
23. CHEMICAL WARFARE. Sen. Ribicoff expressed concern over the destructive potential of chemical and biological warfare capabilities and stated, "We must now take every precaution to prevent the uncontrollable contamination of the earth." pp. S9411-2

EXTENSION OF REMARKS

24. ELECTRIFICATION. Rep. Jones, Ala., praised the TVA program and stated that it will pay into the Treasury almost half again as much as has been requested for appropriations. p. E6741
Rep. Evins, Tenn., objected to TVA's proposed rate increase. p. E6751
25. FORESTS. Rep. Wold commended and inserted a speech, "The Forest Industry: Today and Tomorrow." pp. E6744-6
26. TAXATION. Rep. Cowger explained his votes on tax measures. p. E6748
Rep. Utt inserted an article, "Tax Reforms Feared Inflationary." pp. E6748-9
Speech in the House by Rep. Boggs during debate on the tax reform bill and insertion of articles on this subject. pp. E6763-76
27. LANDS. Rep. Reid, Ill., stated that "one of the most important pieces of legislation" was the establishment of the Public Land Law Review Commission, and inserted an article, "Land for Growth." pp. E6753-4
28. POLLUTION. Rep. Dorn urged appropriations for the construction grant program of the Clean Water Restoration Act. pp. E6757-8
Rep. Cohelan inserted an article, "Environmental Noise Pollution A New Threat to Sanity." pp. E6792-5

Sept. 17, 1969

8. SHOE IMPORTS. Rep. Cleveland called for swift passage of an effective shoe import quota bill. p. H8095

SENATE

9. WHEAT. The Agriculture and Forestry Committee voted to report (but did not actually report) S. 858, to authorize increased wheat acreage allotments for privately owned irrigable farms in the Tulalake area, Calif., and S. 2832, to postpone for one year the payment to producers of the balance from the 1968 wheat crop in the export marketing certificate pool. p. D821
10. POTATOES. The Agriculture and Forestry Committee voted to report (but did not actually report) ~~S. 1181, the potato research and promotion bill;~~
~~and S. 2214, to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are not exempt under the Agricultural Marketing Agreement Act of 1937, as amended. p. D821~~
11. REVIEW COMMITTEES. The Agriculture and Forestry Committee voted to report (but did not actually report) S. 2226, to amend the Agricultural Adjustment Act, as amended, regarding the eligibility for membership on marketing quota review committees. p. D821
12. NOMINATION; CCC. The Agriculture and Forestry Committee reported favorably the nomination of Assistant Secretary Cowden to be a member of the Board of Directors of CCC. S10671
13. WATERSHEDS. The Agriculture and Forestry Committee "also approved 10 watershed projects." p. D821
14. COMMITTEE ASSIGNMENTS. Agreed to S. Res. 256, excusing Sen. Bellmon from further service on the Labor and Public Welfare Committee and assigning him to the Committee on Agriculture and Forestry; and excusing Sen. Cook from further service on the Agriculture and Forestry and assigning him to the Commerce Committee. Several other committee reassignments were also included in the resolution. p. S10743
15. TAX REFORM. Sen. Allen submitted an amendment to H. R. 13270, the tax reform bill, which would increase the amount of the deduction for each personal exemption from \$600 to \$1200. pp. S10676-7
Sen. Javits inserted his testimony given before the Finance Committee on the tax reform bill. pp. S10680-84
Sen. Long inserted testimony given **before the Finance Committee by interested** persons on the tax reform bill and its provisions regarding charitable contributions. pp. S10695-98
16. POLLUTION. Sen. Packwood inserted Senator Cook's address on environmental and pollution control. pp. S10679-80

17. PESTICIDES. Sen. Nelson inserted an article which depicts the "threat to our environment from the continued use of persistent, toxic pesticides." pp. S10704-5
Sen. Tydings inserted an article on the dangers of pesticides. The article substantiates and corroborates features of S. 2747, a bill introduced by Tydings regarding the regulation of pesticides. pp. S10714-16
18. GRAZING FEES. Sen. Metcalf discussed grazing fees and inserted data depicting the range of fees on State and private lands in the West. pp. S10717-20
19. FARM PROGRAM. Rep. Zwach stated that "one of the primary concerns of the vast area of mid-America is the farm program" and inserted an article, "Farm Crossroads." p. E7558
20. WATER RESOURCES. Rep. Reifel inserted two articles describing the development of the Nation's land and water resources. pp. E7559-60
21. POLLUTION. Rep. Gude inserted an article describing the efforts of a women's group in fighting the causes of water pollution. pp. E7561-2
Rep. Dingell inserted an article, "Hot, Polluted Water Might Wipe Out Salmon--." pp. E7577-8
22. FISHERIES. Rep. Byrne, Pa., stated his concern with the crisis of the fishing industry and inserted an article on problems of the industry. pp. E7565-7
23. FARM SAFETY. Rep. Smith, Ia., stated that few seem to be concerned about farm tractor accidents, requested a study of possible means of improving farm machinery safety, and inserted several articles as to the extent of the problem. pp. E7569-74
24. PUBLIC WORKS. Rep. Eilberg criticized the announced reduction in new contracts for Government construction and said, "This action is short sighted and will have a disastrous impact on the general economy and a specific sector of the economy." pp. E7581-2

BILLS INTRODUCED

25. MILITARY TRAINING. S. 2908 by Sen. Young, to amend the Military Selective Service Act of 1967 so as to reduce from 24 months to 18 months the period of time persons inducted into the Armed Forces under such act may be required to serve; to the Armed Services Committee.
26. CONTRACTS. H. R. 13846 by Rep. Moorhead, to amend the act of August 24, 1935 (commonly referred to as the "Miller Act"), to exempt construction contracts not exceeding \$20,000 in amount from the bonding requirements of such act; to the Committee on the Judiciary.

Sept. 18, 1969

11. POTATOES. The Agriculture and Forestry Committee reported with amendments ~~S. 1181, to enable potato growers to finance a nationally coordinated research and promotion program to improve their competitive position and expand their markets for potatoes by increasing consumer acceptance of such potatoes and potato products and by improving the quality of potatoes and potato products that are made available to the consumer (S. Rept. 91-416) and S. 2214, to exclude potatoes for all types of processing from provisions of the Agricultural Marketing Agreement Act (S. Rept. 91-418). p. S10807~~
12. WHEAT. The Agriculture and Forestry Committee reported with amendments S. 858, to amend the Agricultural Adjustment Act of 1938, as amended, to increase certain wheat acreage allotments in the Tulalake area, Calif., (S. Rept. 91-417). p. S10807
13. HOUSING. The Banking and Currency Committee reported S. J. Res. 152, an original resolution to provide for the temporary extension of rural housing programs and Federal Housing Administration insurance authority, and to extend the period during which HUD may establish maximum interest rates on insured loans (S. Rept. 91-419). p. S10897
14. SCIENCE. Passed as reported S. 1857, to authorize appropriations for activities of the National Science Foundation pursuant to Public Law 81-507, as amended. pp. S10764-70
15. NOMINATION; CCC. Confirmed the nomination of Assistant Secretary Cowden to be a member of the Board of Directors, CCC. pp. S10763-4
16. RESEARCH. Began debate on H. R. 11271, to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and research and program management (pp. S10895-10907). Includes in the Space Applications program cooperation with this Department in determining the spectrum of remote-sensor requirements necessary to apply space technology to the fields of agriculture, forestry, oceanography, meteorology, etc.
17. SOCIAL SECURITY. Sen. Scott called for speedy consideration of legislation to increase social security benefits. pp. S10810-1
18. FARM PROGRAMS. Sen. Hughes inserted Sen. Symington's speech before the MFA Oil Co.'s annual convention on the importance of sound agricultural programs to the security and well-being of the U. S. pp. S10811-2
19. HEALTH. Sen. Ribicoff spoke in support of his bill to establish some overall health policy to guide the administration of Federal health programs. pp. S10812-4
20. OCEANOGRAPHY. Sen. Hatfield said that "our country should take steps to encourage oceanographic research." p. S10816

21. SEA-LEVEL CANAL. Sen. Thurmond inserted articles discussing increasing the capacity and operational improvement of the Panama Canal. pp. S10816-8
22. HORSES. Sen. Tydings deplored the practice of "soring" horses and inserted articles supporting his position. pp. S10818-20
23. PESTICIDES. Sen. Nelson inserted an article, "Reveal Lax Poison Law Enforcement--Subcommittee Probe Exposes Violations." pp. S10820-1
24. POLLUTION. Sen. Tydings stated that a "major conservation issue now facing this Nation is the ecological threat from nuclear power plant discharges and inserted the AEC comments on tritium. pp. S10822-7
25. NUTRITION. Sen. Cook inserted Secretary Hardin's testimony before the Select Committee on Nutrition and Human Needs on the relationship between the administration's welfare and food stamp programs. pp. S10828-9
Sen. Cook inserted the testimony of the project director, County Gathering, Ky., before the Select Committee on Nutrition and Elderly Needs expressing her ideas on improving the nutritional habits of elderly people. pp. S10832-4
26. IMPORTS. Sen. McIntyre said that hearings have indicated that the most important single cause of the shoe industry's difficulties has been shoe imports, and said he hopes for enactment of legislation which would not cut off imports altogether but would limit them to a rate of growth consistent with the health of domestic industry. pp. S10829
27. RECREATION. Sen. Nelson expressed gratitude that Interior has announced that alternate sites should be studied for the proposed jetport near Everglades National Park, but said that another immediate danger to the Everglades is the problem of an adequate water supply. pp. S.0838-42
Sen. Hart inserted a report by a panel of experts on the environmental impacts of the construction of the Everglades jetport. pp. S10834-6
Sen. Yarborough called for establishment of the Big Thicket National Park and inserted supporting material. p. S10830
28. ECONOMY. Sen. Cook inserted U. S. Chamber of Commerce President Jones' speech "The Dime Dollar," describing it as a "stark reminder of the consequences we must face if we do not stop the spiralling inflation." pp. S10830-2
29. ALASKA. Sen. Stevens inserted a speech "Alaska at the Crossroads" by Sen. Percy to the Press Club at Anchorage, Alaska, and said that Sen. Percy's suggestions deserve review and serious consideration. pp. S10842-3

POTATOES FOR PROCESSING—EXEMPTION FROM
MARKETING ORDERS

SEPTEMBER 18, 1969.—Ordered to be printed

Mr. HOLLAND, from the Committee on Agriculture and Forestry,
submitted the following

REPORT

[To accompany S. 2214]

The Committee on Agriculture and Forestry, to which was referred the bill (S. 2214) to amend section 608(e)(2) of the Agricultural Marketing Agreement Act of 1937, as amended, having considered the same, reports favorably thereon with amendments and recommends that the bill (as amended) do pass.

EXPLANATION OF BILL

Potatoes for canning or freezing are now exempt from marketing orders under the Agricultural Adjustment Act, as reenacted by the Agricultural Marketing Agreement Act of 1937. The bill would exempt, in addition, potatoes for "other processing." The term "other processing" is intended to include only that preparation of potatoes for market which involves the application of heat or cold to such an extent that the natural form or stability of the commodity undergoes a substantial change. This occurs in dehydration and in the manufacture of shoestring potatoes and potato chips. The act of peeling, cooling, slicing, or dicing, or the application of material to prevent oxidation does not constitute "other processing."

HEARINGS

The committee's Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices held hearings on the bill. Some producer groups opposed the bill, while processors generally approved it. The Department of Agriculture favored inclusion of all potatoes under marketing order authority, or exclusion of all potatoes for processing. Inclusion of some and exclusion of others creates com-

petitive disadvantages. The committee felt that, since potato products are marketed nationally, the competitive disadvantage accorded processors located in order areas and subject to such orders was such as to require enactment of S. 2214 at least for a trial period.

COMMITTEE AMENDMENTS

The committee amendments would:

- (1) Make the bill effective for only a 2-year trial period; and
- (2) Make technical corrections to designate correctly the act and the portions thereof being amended.

DEPARTMENTAL VIEWS

The report of the Department of Agriculture recommending either exemption or inclusion of all potatoes for processing as follows:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, June 10, 1969.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in reply to your letter of May 22 requesting a legislative report by the Department on S. 2214, a bill to amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended. This bill would exempt potatoes for "other processing" from marketing orders.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing thereby including all potatoes under the act.

The use of potatoes for food processing has increased sharply during the past decade. Only 14 percent of 1956-crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume, but large quantities were used for canning, potato chips and shoestrings, and dehydration. Dehydrated potato processing increased sixfold during the 1956 to 1967 period, while the use of potatoes or chipping and shoestring potatoes more than doubled. Continued expansion of sales to all food processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. In 1967,

these areas produced about 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crop. Departmental data show that "other processing" in 1967 which the bill would exempt from coverage under the act totaled about 64 million hundredweight of potatoes used for dehydration, chips, shoestrings, starch, and flour. It is estimated that about one-half of this quantity is processed in areas operating under marketing orders.

The enactment of this bill would not result in added costs to the Department.

In view of the time situation, we have not obtained from the Bureau of the Budget advice regarding the relationship of this proposed legislation to the President's program.

Sincerely,

J. PHIL CAMPBELL,
Acting Secretary.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ADJUSTMENT ACT

* * * * * *

SEC. 8c. * * *

COMMODITIES TO WHICH APPLICABLE

(2) Orders issued pursuant to this section shall be applicable only to (A) the following agricultural commodities and the products thereof (except canned or frozen grapefruit, cherries, apples, or cranberries, the products of naval stores, and the products of honeybees), or to any regional, or market classification of any such commodity or product: Milk, fruits (including filberts, almonds, pecans and walnuts but not including apples, other than apples produced in the States of Washington, Oregon, Idaho, New York, Michigan, Maryland, New Jersey, Indiana, California, Maine, Vermont, New Hampshire, Rhode Island, Massachusetts, and Connecticut, and not including fruits for canning or freezing other than olives, grapefruit, cherries, cranberries, and apples produced in the States named above except Washington, Oregon, and Idaho), tobacco, vegetables (not including vegetables, other than asparagus, for canning or freezing *and not including potatoes for canning, freezing, or other processing*), hops, honeybees, and naval stores as included in the Naval Stores Act and standards established thereunder (including refined or partially refined oleoresin): *Provided*, That no order issued pursuant to this section shall be effective as to any grapefruit for canning or freezing unless the Secretary of Agriculture determines, in addition to other findings and determinations required by this Act, that the issuance of such order is approved or favored by the processors who, during a representative period deter-

mined by the Secretary, have been engaged in canning or freezing such commodity for market and have canned or frozen for market more than 50 per centum of the total volume of such commodity canned or frozen for market during such representative period; and (B) any agricultural commodity (except honey, cotton, rice, wheat, corn, grain sorghums, oats, barley, rye, sugarcane, sugarbeets, wool, mohair, livestock, soybeans, cottonseed, flaxseed, poultry (but not excepting turkeys, eggs (but not excepting turkey hatching eggs), fruits and vegetables for canning or freezing *including potatoes for canning, freezing, or other processing*, and apples), or any regional or market classification thereof, not subject to orders under (A) of this paragraph, but not the products (including canned or frozen commodities or products) thereof. No order issued pursuant to this section shall be effective as to cherries, apples, or cranberries for canning or freezing unless the Secretary of Agriculture determines, in addition to other required findings and determinations, that the issuance of such order is approved or favored by processors who, during a representative period determined by the Secretary, have engaged in canning or freezing such commodity for market and have frozen or canned more than 50 per centum of the total volume of the commodity to be regulated which was canned or frozen within the production area, or marketed within the marketing area, defined in such order, during such representative period. No order issued pursuant to this section shall be applicable to peanuts produced in more than one of the following production areas: the Virginia-Carolina production area, the Southeast production area, and the Southwest production area. If the Secretary determines that the declared policy of the title will be better achieved thereby (i) the commodities of the same general class used wholly or in part for the same purposes may be combined and treated as a single commodity and (ii) the portion of an agricultural commodity devoted to or marketed for a particular use or combination of uses, may be treated as a separate agricultural commodity. All agricultural commodities and products covered hereby shall be deemed specified herein for the purposes of section 8c (6) and (7) of this title.

(Note. The changes above are effective only for the 2-year period beginning with the date of enactment of S. 2214.)

91ST CONGRESS
1ST SESSION

S. 2214

[Report No. 91-418]

IN THE SENATE OF THE UNITED STATES

MAY 20, 1969

Mr. MURPHY (for himself and Mr. CRANSTON) introduced the following bill;
which was read twice and referred to the Committee on Agriculture and
Forestry

SEPTEMBER 18, 1969

Reported by Mr. HOLLAND, with amendments

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend section 608 (c) (2) of the Agricultural Marketing
Agreement Act of 1937, as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section ~~608(c)(2)~~ of the ~~Agricultural Marketing~~
4 ~~Agreement Act of 1937~~, as amended, is amended as follows:
5 *That section 8c(2) of the Agricultural Adjustment Act, as*
6 *reenacted and amended by the Agricultural Marketing Agree-*
7 *ment Act of 1937 and subsequent legislation, is amended as*
8 *follows:*

9 (1) In ~~subparagraph~~ clause (A) after the words "vege-

10 tables (not including vegetables, other than asparagus, for

1 canning or freezing”, insert the words “and not including
2 potatoes for canning, freezing, or other processing”; and

3 (2) In ~~subparagraph~~ *clause* (B) after the words “fruits
4 and vegetables for canning or freezing,” insert the words
5 “including potatoes for canning, freezing, or other process-
6 ing,”.

7 *SEC. 2. The amendments made by this Act shall be ef-*
8 *fective only during the period beginning with the date of*
9 *enactment of this Act and ending two years after such date.*

 Amend the title so as to read: “A bill to exempt potatoes
for processing from marketing orders.”

91ST CONGRESS
1ST SESSION

S. 2214

[Report No. 91-418]

A BILL

To amend section 608 (c) (2) of the Agricultural
Marketing Agreement Act of 1937, as
amended.

By Mr. MURPHY and Mr. CRANSTON

MAY 20, 1969

Read twice and referred to the Committee on
Agriculture and Forestry

SEPTEMBER 18, 1969

Reported with amendments

Oct. 16, 1969

SENATE

12. POTATOES. Passed with amendments S. 1181, to enable potato growers to finance a nationally coordinated research and promotion program to improve their competitive position and expand their markets for potatoes by increasing consumer acceptance of such potatoes and potato products and by improving the quality of potatoes and potato products that are made available to the consumer. As passed, the bill also includes tomatoes. pp. S12753, S12754-9
Passed as reported S. 2214, to exclude potatoes for all types of processing from provisions of the Agricultural Marketing Agreement Act. pp. S12759-60
13. PEACE CORPS. Both Houses adopted the conference report on H. R. 11039, the Peace Corps authorization bill. This bill will now be sent to the President. pp. H9654-5, S12771
14. CLEAN AIR. Agreed to S. Res. 267, a resolution to print "The Cost of Clean Air" as a Senate Document. p. S12697
15. LEGISLATIVE RECORD. Sen. Mansfield discussed and inserted a summary of the Senate's legislative activity this session of Congress. pp. S12700-10
16. HEALTH; WELFARE. Received from HEW a proposed bill to amend the Social Security Act to provide for a number of cost controls under the medicare, medicaid, and maternal and child health programs; to Finance Committee. p. S12710
17. MANAGEMENT. Received from GAO a report on cost reduction and management improvement programs in selected departments and agencies. p. S12710
18. CLAIMS. Received from GSA a report showing claims settled by the Administration under the Military Personnel and Civilian Employees' Claims Act of 1964, for fiscal year 1969. p. S12710
19. FARM LABOR. Sen. Yarborough announced hearings on S. 2660, that would extend and expand the Federal health program for migrant workers for Oct. 21 and 22. p. S12719
20. EDUCATION. Sen. Yarborough announced that hearings on S. 2809, to extend and expand the Federal program of formula grants for schools of public health, are scheduled for Oct. 20, and inserted a progress report on the Federal program for this purpose from 1959 to 1969. pp. S12719-23
21. COOPERATIVE EXTENSION SERVICE. Sen. Allen praised the Cooperative Extension Service and cited it as a genuine State-Federal partnership with a workable State-Federal relationship. pp. S12726-7
22. PESTICIDES. Sen. Nelson inserted an article "Pesticide Control Lag Seen Likely." p. S12732

23. POPULATION. Sen. Hatfield said he strongly supports the President's proposal for a national mobilization of resources and intellects in the formation of a Commission on Population Growth and the American Future, and inserted a speech by Rep. Wyatt on this subject. pp. S12734-6
24. ROADSIDE EROSION. Sen. Nelson spoke in favor of his proposed legislation to protect against erosion of streambanks and roadbanks, and inserted a supporting article. pp. S12745-6
25. LANDS; TIMBER. Sen. Proxmire presented "some facts" relative to his proposed legislation to amend the payment provision of the Oregon and California Land Grant Act of 1937. pp. S12746-7
26. ADJOURNED until Mon., Oct. 20.

EXTENSIONS OF REMARKS

27. ENVIRONMENT. Rep. Dingell inserted an article "Can Law Reclaim Man's Environment." pp. E8550-1
Rep. Nedzi inserted an article "From Here to Oblivion." pp. E8593-4
Rep. Mikva said that the declining quality of our environment constitutes a problem which merits the continuing attention of my colleagues and inserted an article "Death Rate? Air pollution Linked." p. E8594
28. GREEN THUMB; POVERTY. Rep. Carter endorsed the Green Thumb Program and inserted an article "Best Poverty Project? County Agent Says It's the Green Thumb Program." p. E8560
29. OPINION POLL. Rep. Bow inserted questionnaire from his district and stated that a "great majority of my constituents are in favor of the President's major proposals." p. E8562
30. CLEAN WATER. Rep. Dingell inserted an editorial supporting efforts to secure full funding of the Clean Water Restoration Act. pp. E8567-8
31. SALARY COMPARABILITY. Rep. Dickinson said that he supports fair and equitable salaries for Federal employees, but he could not support the salary comparability bill. pp. D8570-1
32. HOUSING. Rep. Gude said that the shortage of mortgage money for the housing market in Md. has reached near crisis **proportion** and inserted Rep. Hogan's address before the Md. Association of Real Estate Boards. pp. E8673-4

PRINTED HEARINGS RECEIVED IN THIS OFFICE

33. FEES, PROPERTY. S. 1653, recovery of a reasonable attorney's fee in case of successful suit for damages sustained in transportation of property. S. Commerce Committee.

The title was amended, so as to read: "An act to provide for potato and tomato promotion programs."

AMENDMENT OF THE AGRICULTURAL MARKETING AGREEMENT ACT OF 1937, AS AMENDED

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate turn to the consideration of Calendar No. 414, S. 2214.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 2214) to amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported with amendments on page 1, at the beginning of line 3, strike out:

That section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937, as amended, is amended as follows:

And insert:

That section 8c(2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation is amended as follows:

In line 9, after the word "In", strike out "subparagraph" and insert "clause"; on page 2, line 3, after the word "In", strike out "subparagraph" and insert "clause"; and after line 6, insert a new section, as follows:

SEC. 2. The amendments made by this Act shall be effective only during the period beginning with the date of enactment of this Act and ending two years after such date.

So as to make the bill read:

S. 2214

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 8c(2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended as follows:

(1) In clause (A) after the words "vegetables (not including vegetables, other than asparagus, for canning or freezing", insert the words "and not including potatoes for canning, freezing, or other processing"; and

(2) In clause (B) after the words "fruits and vegetables for canning or freezing," insert the words "including potatoes for canning, freezing, or other processing."

SEC. 2. The amendments made by this Act shall be effective only during the period beginning with the date of enactment of this Act and ending two years after such date.

Mr. HOLLAND. Mr. President, this bill, reported from the Senate Committee on Agriculture and Forestry, has some amendments, but I will first discuss the purpose of the bill.

The purpose of the bill now before the Senate, S. 2214, is simply to place potatoes for other processing—such as dehydration—into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under the provisions of the Agricultural Marketing Agreement Act of 1937, as amended.

In other words, the Marketing Agreement Act now already exempts potatoes for canning and freezing from coverage in any marketing order issued by the Department of Agriculture.

I might add that the term "other processing" is intended to include only that preparation of potatoes for market which involves the application of heat or cold to such an extent that the natural form or stability of the commodity undergoes a substantial change. This occurs in dehydration and in the manufacture of shoestring potatoes and potato chips. The act of peeling, cooling, slicing, or dicing, or the application of material to prevent oxidation does not constitute "other processing".

The committee's Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices held hearings on the bill. Some producer groups opposed the bill, while processors generally approved it.

The subcommittee and the committee felt that consistency in the treatment of potatoes was necessary. However, in order to provide protection to producers, the exemption carried by the bill is limited to a 2-year period.

The Department of Agriculture favored inclusion of all potatoes under marketing order authority, or exclusion of all potatoes for processing. Inclusion of some and exclusion of others creates competitive disadvantages. Inasmuch as potato products are in competition with each other in the national market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

The Department also reported that the use of potatoes for food processing has increased sharply during the past decade. Only 14 percent of 1956-crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume, but large quantities were used for canning, potato chips, shoestrings, and dehydration. Dehydrated potato processing increased sixfold during the 1956 to 1967 period, while the use of potatoes for chipping and shoestring potatoes more than doubled. Continued expansion of sales to all food processing outlets is expected in coming years.

Mr. President, there was some difference of opinion in the committee. Some of us would have preferred to put all potatoes destined for processing within reach of the potato producers, within their marketing orders, if they chose to cover potatoes used for processing. Others favored the method used in this bill; that is, to exclude all potatoes used for processing by which the natural form of the potatoes changes, from coverage of the marketing agreement and order.

The final settlement made by the committee was to permit this to be done as provided by the bill for a period of 2 years, to see whether or not the experiment of excluding all processed potatoes from the coverage of marketing orders would be satisfactory in general to the producers, who, after all, would be the ones most interested in marketing orders,

as they are the only ones who can initiate such orders.

The bill as reported does just that. It would exclude all potatoes for processing from marketing orders, but only for a trial period of 2 years, so as to see how this program would work out.

Mr. President, these are all the comments that I have. If other Senators would like to be heard on the bill, I shall be happy to yield. Otherwise, I ask that the amendments be considered.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. HOLLAND. I am happy to yield to the Senator from Nebraska.

Mr. CURTIS. The bill now before us, S. 2214, was the bill in connection with which the hearings were centered on a locality in northern California and in Idaho and some of the adjacent States; was it not?

Mr. HOLLAND. Yes. This was the bill in which certain processors who used potatoes grown in northern California and Oregon felt that they were being discriminated against under a regional marketing order applicable only to that area, and they asked to be put in the same position as other processors using other potatoes from that area who were excluded from the coverage of the marketing order.

As I have already stated, the committee was not of one mind about this, but finally decided to give the program, as provided by the bill a 2-year period of trial, to see how it would work out.

Mr. CURTIS. My recollection is that the testimony that the committee received was somewhat divided, that one group of growers favored the legislation and another group did not.

I commend the distinguished Senator from Florida for the way he has handled the bill. I believe it was the junior Senator from Nebraska who suggested we might try it for 2 years, to see how it worked out, in fairness to all parties; and I am delighted that that was the way the bill was presented here.

Mr. HOLLAND. I thank my distinguished friend for that comment, and I am glad to say he is correct in his recollection; he was the one who suggested this compromise, which was finally accepted by all members of the committee, and we are all willing to see this program tried out for 2 years, as I recall the vote of the committee.

Mr. MUSKIE. Mr. President, S. 2214 is a bill to amend section 608(c) (2) of the Agricultural Marketing Agreement Act of 1937. Briefly, this bill exempts all potatoes used for processing from Federal marketing orders.

Federal marketing order legislation has played an important role in the orderly marketing of potatoes:

Marketing orders assure the adequate supply of high quality potatoes to the consumer at steady and reasonable prices.

The Federal marketing order has prevented the exploitation of both the consumer and the farmer by the middleman.

Current law exempts from marketing orders those potatoes that are to be processed by canning or freezing. Proponents of S. 2214 argue that processors of other

types of potatoes are placed in an unfair competitive position with the canners and freezers. I recognize this problem, but the solution is not in more exemptions to the marketing order. The solution to achieving equity among processors, while at the same time preserving the benefits of marketing orders for the producers and consumers, is in the removal of all exemptions.

In my own State of Maine the Federal marketing order has been shelved. Many Maine potato producers are pressing for the reinstatement of that order. If more exemptions are granted for processors, it will be virtually impossible to convince the Maine potato growers, who produce for both the fresh and processing markets that the reinstatement of the marketing order is in their best interest.

For the good of the potato producer and the consumer I oppose the passage of S. 2214. At the same time, understanding the inequity faced by a part of the processing industry, I urge that the Agricultural Committee prepare substitute legislation to remove all exemptions from Federal marketing orders.

Mr. YOUNG of North Dakota. Mr. President, the Senator from California (Mr. MURPHY), the principal author of S. 2214, is necessarily absent today. The Senator, however, had prepared a statement which he had planned to make on this measure. I ask unanimous consent that his remarks be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR MURPHY

As the author of S. 2214, I urge its passage. The bill would update the Agricultural Marketing Act of 1937. The purpose of the 1937 act was to assist in stabilizing prices of fruits and vegetables in the fresh market at a profitable level. Canning, the only major method of food preservation in 1937, was exempt from the act's provisions. By 1946, freezing had become a common method of food preservation, and Congress updated the Act by expanding the exemption to include fruits and vegetables for freezing.

Today, dehydration has also become a major method of preserving foods, and S. 2214 would place all processors of potatoes—canners, freezers, dehydrators, potato chippers, and shoe string manufacturers—on a fair, equal and competitive basis.

I believe that the bill is in the best interest of the potato industries, both growers and processors, and the workers in the processing plants, as well as of the American consumer.

I support and urge its enactment.

The PRESIDING OFFICER (Mr. HUGHES in the chair). The question is on agreeing to the committee amendments.

Mr. HOLLAND. Mr. President, I ask unanimous consent that the committee amendments be considered en bloc.

The PRESIDING OFFICER. Without objection, the amendments are considered and agreed to en bloc.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended, so as to read: "A bill to exempt potatoes from processing from marketing orders."

Mr. HOLLAND. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. CURTIS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, that concludes the scheduled business of the Senate for today. There will be no further votes.

RETIREMENT OF JUSTICES AND JUDGES OF THE UNITED STATES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 445, S. 1508. I do this so that the bill will become the pending business.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 1508) to improve judicial machinery by amending provisions of law relating to the retirement of justices and judges of the United States.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on the Judiciary with an amendment after line 6, to insert:

(b) The first paragraph of section 373 of title 28, United States Code, is amended by inserting immediately after the last comma therein the following: "or at any age after serving at least twenty years continuously or otherwise."

So as to make the bill read:

S. 1508

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 371 (b) of title 28, United States Code, is amended by inserting immediately before the period at the end of the first sentence the following: ", or at any age after serving at least twenty years continuously or otherwise."

(b) The first paragraph of section 373 of title 28, United States Code, is amended by inserting immediately after the last comma therein the following: "or at any age after serving at least twenty years continuously or otherwise."

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ALLEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. Moss in the chair). Without objection, it is so ordered.

Pursuant to previous order, the Senator from Mississippi is recognized for a period of 1 hour.

Mr. STENNIS. I thank the chair.

PUBLIC SCHOOL EDUCATION

Mr. STENNIS. Mr. President, I wish to make clear in the very beginning

that my concern and my advocacy with respect to the subject I shall talk about today is in the interest of public school education. I shall refer to the problems of our schools in the South and the problems and conditions in the schools of the North, but I am prompted, all the way through, by my advocacy of the survival, in all areas of the Nation, of the public school system. I have never entertained the idea or joined in any movement that would try to establish a private school system in any appreciable area to replace the public schools, because I know that even though the private school has its place and has a good function to a limited degree or in a specific area, and has a good influence throughout the Nation, it is the public school system, I am fully convinced, that is necessary to train and educate the masses of our children.

I wish to make it clear also that I am not seeking or advocating the repeal of the Civil Rights Act of 1964. I know that it is the law, and I said after its passage that it could not be ignored; that it was the law and, of course, would have to be obeyed.

Mr. President, for several years the Department of Health, Education, and Welfare, and the Justice Department, have conducted an intensive campaign to bring about total integration of public schools in the South. Both HEW and the Justice Department have launched a crash program to integrate the races in every school in the South. This drive for all-out integration has been so intense and demanding that the education and welfare of the students and teachers have become secondary. The prime objectives has been all-out integration. My complaint is about the administration and interpretation of that law.

I wish to make it clear that I want every child, and I have always wanted every child, to have every opportunity to obtain adequate schooling and training under just as favorable conditions as can be had. I want faculties and others who are engaged in schoolwork generally to have conditions as favorable and as encouraging as possible.

I know, too, from the experience of the last 2 years, that most of the burdens of the social change that is coming about in our country is dumped in the lap of the public school system, to the extent that it cannot longer carry that load unless there is some moderation in the policy, the practice, and the administration of this Federal law. I am just as certain of that as I am that night follows day. I am certain that something will have to be done about it.

I also feel that this fact is not realized throughout the Nation. It is not realized by enough of the membership of this body, because they have not felt the impact of the imposition of the school program as administered by the Department of Health, Education, and Welfare and the Department of Justice, for it is really not administered in great areas of the country, to any appreciable degree at all, as I shall illustrate.

For several years, the Department of Health, Education, and Welfare and the Justice Department have conducted or attempted to conduct a campaign to

—

S. 2214

—

—

AN ACT

—

91ST CONGRESS
1ST SESSION

S. 2214

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 20, 1969

Referred to the Committee on Agriculture

AN ACT

To exempt potatoes for processing from marketing orders.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 8c (2) of the Agricultural Adjustment Act, as
4 reenacted and amended by the Agricultural Marketing
5 Agreement Act of 1937 and subsequent legislation, is
6 amended as follows:

7 (1) In clause (A) after the words "vegetables (not
8 including vegetables, other than asparagus, for canning or
9 freezing", insert the words "and not including potatoes for
10 canning, freezing, or other processing"; and

11 (2) In clause (B) after the words "fruits and vegetables

1 for canning or freezing," insert the words "including potatoes
2 for canning, freezing, or other processing,".

3 SEC. 2. The amendments made by this Act shall be ef-
4 fective only during the period beginning with the date of
5 enactment of this Act and ending two years after such date.

Passed the Senate October 16, 1969.

Attest:

FRANCIS R. VALEO,

Secretary.

91ST CONGRESS
1ST SESSION

S. 2214

AN ACT

To exempt potatoes for processing from
marketing orders.

OCTOBER 20, 1969

Referred to the Committee on Agriculture

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

For actions of November 26, 1969
91st - 1st No. 196

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HIGHLIGHTS: House subcommittee approved bill to exclude certain potatoes for processing from marketing orders. Senate committee reported bill to provide additional super-grades.

HOUSE

1. POTATOES; MARKETING ORDERS. A subcommittee of the Agriculture Committee approved for full committee consideration S. 2214, to exclude from marketing orders potatoes for "other processing" as in dehydration, chips, shoestrings, starch and flour. p. D1127

2. MEXICAN-AMERICANS. A subcommittee of the Government Operations Committee approved for full committee consideration S. 740 amended, to establish the Cabinet Committee on Opportunities for Spanish-Speaking People. p. D1128
3. CHICKEN INDUSTRY. Rep. Hammerschmidt commented on the growth of the broiler industry in Ark., and called attention to speeches before the recent conference of the National Broiler Council in Wash., D. C., including remarks by Under Secretary Campbell. pp. H11449-50
4. FOREIGN AID. Rep. Bevill spoke in opposition to the foreign aid program and said he favors the elimination of all foreign aid appropriations for this fiscal year and the phasing out of this country's foreign aid program. p. H11446
5. VOCATIONAL EDUCATION. Rep. Meeds criticized the Administration's cut in the amount requested in the budget for vocational education. pp. H11446-7
6. IMPORTS. Rep. Edmonston spoke on the effects of imports on the glass industry and said it is of vital importance that both the Congress and the President be aware of the need for restoring our flat glass tariffs to higher levels. p. H11446
7. CONSERVATION. Rep. Saylor commended Assistant Secretary of Transportation Braman for his interest in conservation and inserted an article "Open Spaces Versus Roads." pp. H11448-9
8. PESTICIDES. Rep. Monagan criticized this Department's handling of pesticides and said he intends to introduce legislation to grant HEW authority to participate in decisions regarding initial or continuing registration of pesticide compounds which present a potential health hazard. pp. H11458-9
9. LEGISLATIVE PROGRAM. Rep. Albert announced that Monday is Consent Calendar Day, and that H. R. 14517, the proposed Joint Funding Simplification Act of 1969 will be considered under suspension of the rules; on Tuesday, a joint resolution making continuing appropriations for 1970; on Wednesday, (subject to a rule being granted) H. R. 12321, the Economic Opportunity Act amendments which is expected to take 3 full days. pp. H11456-7
10. ADJOURNED until Mon., Dec. 1. p. H11469

SENATE

11. SUPERGRADES.. The Post Office and Civil Service Committee reported with amendment S. 2325, to provide for additional positions in grades GS-16, GS-17, and GS-18 (S. Rept. 91-561). p. S15086
12. BOXCAR SHORTAGE. Senator Pearson estimated that it would require 11,000 boxcars to move the grain on the ground in Kansas, as he insisted that Congress, the ICC, labor and railroad management act to provide more freight cars for the Nation's needs. Senator Curtis stated that 40 million bushels of grain are on ground in Nebraska, rather than the 10 million estimated in his earlier statement, and he reiterated his dismay with the ICC. pp. S15115, S15130

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

For actions of Jan. 23 and 24, 1970
91st-2nd; Nos. 5 and 6

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Farm program.....8	Potatoes.....1	

HIGHLIGHTS: House committee voted to report bills to exempt potatoes for processing from marketing orders and to authorize production research under marketing agreement and order program. Sen. Ellender asked for "concrete suggestion" to improve farm program, and announced farm bill hearings will begin Feb. 18.

HOUSE - JAN 23

1. POTATOES; MARKETING ORDERS. The Agriculture Committee voted to report (but did not actually report) S. 2214, to exempt potatoes for processing from marketing orders; and H. R. 14810, to amend the Agricultural Marketing Agreement Act to authorize production research under marketing agreement and order programs.
p. D18

SENATE - JAN 23

2. ENVIRONMENT. Sen. Eagleton inserted Sen. Muskie's statement setting forth "a comprehensive program of legislation dealing with the totality of our environment." pp. S444-5
Sen. Murphy stated that he joined with "our President in his fervent plea for protection of our water, air and our remaining open spaces for future generations to enjoy", and inserted an article, "Deadline For Man's Survival." p. S455-6
3. FOREST; CONSERVATION; WILDERNESS. Sen. Yarborough announced that the New Orleans Audubon Society had passed a resolution endorsing Big Thicket National Park.
p. S446

4. LIVESTOCK. Sen. Hansen commented on the magazine article by Sen. Hruska which supports the multiframe sampling system as the reliable way to estimate the size and composition of the national livestock herd. pp. S445-6

EXTENSION OF REMARKS - JAN. 23

5. ELECTRIFICATION. Sen. Metcalf urged use of automatic data processing by utility regulatory commissions and inserted a letter to the Bureau of the Budget on this subject. pp. E285-6

BILLS INTRODUCED - JAN. 23

6. RECREATION. S. 3329, by Sen. Packwood, to establish the Hells-Canyon-Snake National River in the States of Idaho, Oregon, and Washington; to Interior and Insular Affairs Committee. Remarks of author pp. S437-43
7. LOANS; RURAL HOUSING. S. 3330, by Sen. Metcalf, to authorize rural housing loans to lessees of nonfarm rural land; to Banking and Currency Committee.

SENATE - JAN 24

8. FARM PROGRAM; LEGISLATION. Sen. Ellender noted that two important farm bills had been ordered reported to the Senate: the Aiken egg bill and amendments to the school lunch program. p. S497

Sen. Ellender announced that the Committee on Agriculture and Forestry will begin the new farm bill hearings on February 18; he re-iterated his support of farm subsidies stating that "it will be much cheaper to the consumers for Congress to provide funds to pay such subsidies in order to produce an abundance of food, rather than to have farmers to continue to go out of business and maybe thereby create a scarcity of food and fiber." p. S497

Sen. Mansfield commended Sen. Ellender for his effort in reporting six bills from his committee, and expressed the hope that "before long the administration would forward its legislative recommendations of what would be a good farm program." p. S498

Sen. Ellender stated that his committee had been in contact with this Department but added "I want to say frankly that so far there have not been any new changes offered by the Department of Agriculture. And I am very hopeful, as the majority leader has just stated, that the Department of Agriculture will come to us with a concrete suggestion as to what ought to be done to improve the plight of the farmers." p. S498

9. CREDIT; INTEREST RATES. Sen. Gore stated that there is a credit crisis caused by the "hands-off money policy by President Nixon." pp. S524-7

10. ADJOURNED until Mon., Jan. 26. p. S527

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COMMITTEE HEARINGS:

JAN. 26: Proposed Consumer Agricultural Food Protection Act, S. Agriculture. Food stamp program, H. Agriculture (exec).

JAN. 29: Preservation of additional historic properties, H. Interior (Cliff, FS, to answer questions).

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

For actions of Jan. 27, 1970
91st; 2nd; No. 8

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HIGHLIGHTS: Senate committee reported bill to permit paid advertising under tomato marketing orders. House committee reported bills to exempt potatoes for processing from marketing orders and to authorize production research under marketing agreement and order program. Rules Committee cleared high-timber yield fund bill. House received President's veto message on Labor-HEW appropriations bill. Sen. Ellender urged continuation of farm program.

HOUSE

1. POTATOES; MARKETING ORDERS. The Agriculture Committee reported without amendment S. 2214, to exempt potatoes for processing from marketing orders (H. Rept. 91-802), and without amendment H. R. 14810, to amend the Agricultural Marketing Agreement Act to authorize production research under marketing agreement and order programs (H. Rept. 91-803). p. H388
2. FORESTS. The Rules Committee reported a resolution for the consideration of H. R. 12025, to establish a high-timber yield fund. p. H388

3. FISHERIES. The Merchant Marine and Fisheries Committee reported with amendment H. R. 1049, relating to the conservation and enhancement of the Nation's anadromous fishing resources (H. Rept. 91-808). p. H388
4. FOREIGN AID; APPROPRIATIONS. Received and agreed to the conference report on H. R. 15149, the foreign assistance and related agencies appropriations bill for 1970 (H. Report 91-800). pp. H331-7
5. VETO MESSAGE. Received the President's veto message on the Labor-HEW appropriations bill, 1970 (H. Doc. 91-216). Several Representatives discussed this message. pp. H344-7, H327, H328-30, H344, H355, H379-83, E351-2, E359-60, E373
6. INFLATION. Reps. Patman, Ford, and Albert discussed the problems of inflation. pp. H325-7
7. POLLUTION. Rep. Whitehurst proposed combining all the existing pollution control bureaus, agencies, and departments under one independent Government agency. p. H354
8. EDUCATION. Rep. Perkins inserted additional responses to educational questionnaires. pp. H370-7
9. STATE OF UNION. Rep. Price, Tex., commended the President's State of the Union message. pp. H378-9
10. CONTAINERS; SHIPPING. Rep. Annunzio stated that the ground work had been laid for an international symposium titled, "Labor, Government, the Carrier and the User Discuss the Container." The symposium will be held April 14 to 17. pp. H384-5

SENATE

11. MARKETING ORDERS. The Agriculture and Forestry Committee reported with amendments S. 1862, to permit projects for paid advertising under marketing orders applicable to tomatoes (S. Rept. 91-637). p. S636
12. FARM PROGRAM. Sen. Ellender gave a history of farm programs and the economy, commenting that he was "fearful of what would happen to our economy if this Congress were to adjourn without reenacting the present farm program or putting another effective measure on the statute books." He inserted various farm production tables, stating that a "surplus production capacity of nearly 10 per cent must be controlled if we are not to wallow in overproduction." Sens. Mansfield, Talmadge, Gore, Hansen, and Aiken praised the Senator's address and expressed support for the farmer. pp. S617-26
13. POLLUTION. Sen. Scott praised and inserted the Republican Policy Committee report which "examines several aspects of our critical national air pollution problem." pp. S646-8
14. OCEAN RESEARCH. Sen. Hollings inserted Sen. Spong's speech, "Development of Ocean Resources." pp. S653-4

EXEMPT POTATOES FOR PROCESSING FROM MARKETING ORDERS

JANUARY 27, 1970.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. POAGE, from the Committee on Agriculture,
submitted the following

REPORT

[To accompany S. 2214]

The Committee on Agriculture, to whom was referred the bill (S. 2214) to exempt potatoes for processing from marketing orders, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of S. 2214 is to exempt from the coverage of any Federal marketing order (for a period of 2 years following the date of enactment of this bill) potatoes used for dehydrating, chipping, or other processing. This bill would thereby afford these potatoes the same treatment that the law now affords potatoes for canning or freezing which are presently exempt from the application of Federal marketing orders.

NEED FOR THE LEGISLATION

When the Agricultural Marketing Agreement Act of 1937 was enacted, an exemption was provided for potatoes for canning. In 1946 the same exemption was extended to potatoes for freezing. At that time freezing was a significant advance in processing technology. In recent years the technique of dehydration has been perfected to the point where it has become an important facet of the potato processing business. Thus, the extension of the exemption to potatoes for dehydration and other processing is a needed modernization of the marketing order law that has historically recognized the legal distinction between fresh agricultural commodities and those used for processing.

Another reason the committee recommends the enactment of this bill is that denying dehydrators, chippers, and other processors the exemption extended to canners and freezers would be unfair inasmuch as all potato processors are in competition with each other in the national market.

The committee considered, but did not accept, the arguments of those who proposed the alternative method of achieving equity among processors by removing the existing exemptions for canning and freezing.

The committee does not feel that the enactment of this bill will significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, but in order to provide for the automatic review of the effect of the exemption, it has approved a 2-year life for this new exemption.

COMMITTEE CONSIDERATION

The Subcommittee on Domestic Marketing and Consumer Relations held hearings on June 9, 1969, on a similar bill, H.R. 11243. The Senate passed S. 2214 on October 16, 1969, and the subcommittee approved it on November 26, 1969. The full committee voted to report S. 2214 by a majority of 20 to 3. During the hearings producer groups generally opposed H.R. 11243, while processors generally approved of it.

S. 2214 differs from the House bill in the one major point of limiting the new exemption to a period of 2 years.

The committee wishes it clearly understood that the approval of this bill is not intended to establish a precedent for the application of the term "other processing" to activities not reasonably considered as processing. The term "other processing" is intended to include only that preparation of potatoes for market which involves the application of heat or cold to such an extent that the natural form or stability of the commodity undergoes a substantial change. This occurs in dehydration and in the manufacture of shoestring potatoes and potato chips. The act of peeling, cooling, slicing, or dicing, or the application of material to prevent oxidation does not constitute "other processing."

COST

The Department of Agriculture has advised the committee that the enactment of this bill would not result in added costs to the Department. The committee feels that the enactment of the bill might even result in some modest savings in Government expenditures because of fewer administrative services being needed by the Department of Agriculture.

DEPARTMENTAL POSITION

The Department of Agriculture submitted the following report on H.R. 11243:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, June 9, 1969.

HON. W. R. POAGE,
*Chairman, Committee on Agriculture,
House of Representatives.*

DEAR MR. CHAIRMAN: This is in reply to your letter of May 16, 1969, requesting a legislative report by the Department on H.R. 11243, a bill to amend section 608(c)(2) of the Agricultural Marketing Agreement Act of 1937, as amended. This bill would exempt potatoes for "other processing" from marketing orders.

The purpose of this bill is to place potatoes for dehydration and processing into other potato products on an equal basis with potatoes for canning and freezing which are now exempt under this act. Inasmuch as potato products are in competition with each other in the market, this bill would result in uniform treatment of potatoes for processing regardless of the final use made of the product.

On the other hand, the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to producers, in view of the increasing quantities of potatoes going into processing uses. An alternative method of achieving equity among processors, while at the same time maintaining or strengthening the benefits of marketing orders to producers, would be to remove the existing exemptions for canning and freezing, thereby including all potatoes under the act.

The use of potatoes for food processing has increased sharply during the past decade. Only 14 percent of 1956-crop potatoes used for food were processed. In 1967 about 42 percent were processed. Utilization for freezing was the most important in terms of volume, but large quantities were used for canning, potato chips and shoestrings, and dehydration. Dehydrated potato processing increased sixfold during the 1956 to 1967 period, while the use of potatoes for chipping and shoestring potatoes more than doubled. Continued expansion of sales to all food-processing outlets is expected in coming years.

Federal potato marketing orders are currently in effect in many of the major potato producing areas in the United States. In 1967, these areas produced about 156 million hundredweight of potatoes, which was more than one-half of the U.S. potato crop. Departmental data show that "other processing" in 1967 which the bill would exempt from coverage under the act totaled about 64 million hundredweight of potatoes used for dehydration, chips, shoestrings, starch, and flour. It is estimated that about one-half of this quantity is processed in areas operating under marketing orders.

The enactment of this bill would not result in added costs to the Department.

In view of the time situation, we have not obtained from the Bureau of the Budget advice regarding the relationship of this proposed legislation to the President's program.

Sincerely,

RICHARD E. LYNG,
Acting Secretary.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, and existing law in which no change is proposed is shown in roman):

AGRICULTURAL MARKETING AGREEMENT ACT OF 1937, AS AMENDED

* * * * *

SEC. 8c. * * *

COMMODITIES TO WHICH APPLICABLE

(2) Orders issued pursuant to this section shall be applicable only to (A) the following agricultural commodities and the products thereof (except canned or frozen grapefruit, cherries, apples, or cranberries, the products of naval stores, and the products of honeybees), or to any regional, or market classification of any such commodity or product: Milk, fruits (including filberts, almonds, pecans and walnuts but not including apples, other than apples produced in the States of Washington, Oregon, Idaho, New York, Michigan, Maryland, New Jersey, Indiana, California, Maine, Vermont, New Hampshire, Rhode Island, Massachusetts, and Connecticut, and not including fruits for canning or freezing other than olives, grapefruit, cherries, cranberries, and apples produced in the States named above except Washington, Oregon, and Idaho), tobacco, vegetables (not including vegetables, other than asparagus, for canning or freezing *and not including potatoes for canning, freezing, or other processing*), hops, honeybees, and naval stores as included in the Naval Stores Act and standards established thereunder (including refined or partially refined oleoresin): *Provided*, That no order issued pursuant to this section shall be effective as to any grapefruit for canning or freezing unless the Secretary of Agriculture determines, in addition to other findings and determinations required by this Act, that the issuance of such order is approved or favored by the processors who, during a representative period determined by the Secretary, have been engaged in canning or freezing such commodity for market and have canned or frozen for market more than 50 per centum of the total volume of such commodity canned or frozen for market during such representative period; and (B) any agricultural commodity (except honey, cotton, rice, wheat, corn, grain sorghums, oats, barley, rye, sugarcane, sugarbeets, wool, mohair, livestock, soybeans, cottonseed, flaxseed, poultry (but not excepting turkeys, eggs (but not excepting turkey hatching eggs), fruits and vegetables for canning or freezing *including potatoes for canning, freezing, or other processing*, and apples), or any regional or market classification thereof, not subject to orders under (A) of this paragraph, but not the products (including canned or frozen commodities or products) thereof. No order issued pursuant to this section shall be effective as to cherries, apples, or cranberries for canning or freezing unless the Secretary of Agriculture determines, in addition to other required findings and determinations, that the issuance of such order

is approved or favored by processors who, during a representative period determined by the Secretary, have engaged in canning or freezing such commodity for market and have frozen or canned more than 50 per centum of the total volume of the commodity to be regulated which was canned or frozen within the production area, or marketed within the marketing area, defined in such order, during such representative period. No order issued pursuant to this section shall be applicable to peanuts produced in more than one of the following production areas: the Virginia-Carolina production area, the Southeast production area, and the Southwest production area. If the Secretary determines that the declared policy of the title will be better achieved thereby (i) the commodities of the same general class used wholly or in part for the same purposes may be combined and treated as a single commodity and (ii) the portion of an agricultural commodity devoted to or marketed for a particular use or combination of uses, may be treated as a separate agricultural commodity. All agricultural commodities and products covered hereby shall be deemed specified herein for the purposes of section 8c (6) and (7) of this title.

(Note. The changes above are effective only for the 2-year period beginning with the date of enactment of S. 2214.)



Union Calendar No. 360

91ST CONGRESS
2D SESSION

S. 2214

[Report No. 91-802]

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 20, 1969

Referred to the Committee on Agriculture

JANUARY 27, 1970

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

AN ACT

To exempt potatoes for processing from marketing orders.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 8c (2) of the Agricultural Adjustment Act, as
4 reenacted and amended by the Agricultural Marketing
5 Agreement Act of 1937 and subsequent legislation, is
6 amended as follows:

7 (1) In clause (A) after the words "vegetables (not
8 including vegetables, other than asparagus, for canning or
9 freezing", insert the words "and not including potatoes for
10 canning, freezing, or other processing"; and

11 (2) In clause (B) after the words "fruits and vegetables

1 for canning or freezing," insert the words "including potatoes
2 for canning, freezing, or other processing,".

3 SEC. 2. The amendments made by this Act shall be ef-
4 fective only during the period beginning with the date of
5 enactment of this Act and ending two years after such date.

Passed the Senate October 16, 1969.

Attest:

FRANCIS R. VALEO,

Secretary.

AN ACT

To exempt potatoes for processing from
marketing orders.

OCTOBER 20, 1969

Referred to the Committee on Agriculture

JANUARY 27, 1970

Committed to the Committee of the Whole House on
the State of the Union and ordered to be printed

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

For actions of Feb. 3, 1970
91st-2nd; No. 13

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HIGHLIGHTS; House Rules Committee cleared bills to exempt potatoes for processing from marketing orders, and to authorize production research under marketing orders. Rep. Sullivan opposed proposed change in poultry inspection regulations dealing with diseased chickens. Rep. Burke, Fla., favored use of frozen orange juice in school lunch program.

HOUSE

1. POTATOES; MARKETING AGREEMENTS. The Rules Committee reported resolutions for the consideration of S. 2214, to exempt potatoes for processing from marketing orders; and H. R. 14810, to authorize production research under marketing agreement and order programs. p. H616
2. RECREATION; LANDS. The Rules Committee reported a resolution for the consideration of H. R. 3786, to authorize the appropriation of additional funds for the acquisition of land at Point Reyes National Seashore. p. H616

3. POPULATION; COMMISSION. The Rules Committee reported a resolution for the consideration of H.R. 15165, to establish a Commission on Population Growth and the American Future. p. H616
4. PERSONNEL. The Post Office and Civil Service Committee reported with amendments H. R. 13008, to improve position classification systems within the executive branch (H. Rept. 91-823). p. H616
5. LOANS; INDIANS. The Interior and Insular Affairs Subcommittee approved for full committee action S. 227 amended, to provide for loans to Indian tribes and Indian Corporations. p. D60
6. WEATHER. Rep. Fascell announced that the President has proclaimed February as U.S. Weather Service Month. p. H611
7. POLLUTION; BUDGET. Rep. Gibbons inserted an article, "Nixon In Reversal, To Use Full \$800 Million Voted By Congress For Sewage-Plant Aid." p. H612
8. ECONOMIC REPORT. Rep. Patman criticized the economic report. pp. H612-3
9. FORESTS; TIMBER YIELD. Rep. Saylor inserted a telegram from conservationists opposing H. R. 12025, the proposed National Timber Supply bill. pp. H614-5
10. PEACE CORPS. Received from the Acting Director of the Peace Corps a draft of proposed legislation to amend further the Peace Corps Act (75 Stat. 612), as amended; to Foreign Affairs Committee.

SENATE

11. APPROPRIATIONS. Passed without amendment H. J. Res. 1072, continuing appropriations for Labor-HEW and related agencies for 1970. This bill will now be sent to the President. p. S1049
12. AIRPORTS. The Finance Committee ordered reported (but did not actually report) H. R. 14465, to provide for Federal assistance for the expansion and improvement of the Nation's airports and airways system. p. D58
13. PUBLIC WORKS. Sen. Ellender inserted a list of public works funds held in budgetary reserve. pp. S1049-53
14. POLLUTION; ENVIRONMENT. Sen. Magnuson inserted the anti-pollution resolution of the Wash. State Senate urging Congress to continue to foster methods of combating this serious national problem. pp. S1048-9
Sen. Jackson commented on the nominations to the Council on Environmental Quality and gave notice of hearing on the nominations. p. S1062
Sen. Moss inserted an article, "A National Need: An Environmental Ethic." pp. S1073-6
15. GRAZING FEES. Sen. Anderson expressed his disappointment with the decision not to increase grazing fees in 1970. pp. S1071-2

Conservationists were so aroused by this misrepresentation they joined together to denounce it. Their opposition was made quite clear in a telegram which I received. The message said:

Hon. JOHN P. SAYLOR,
Rayburn House Office Building,
Washington, D.C.:

Contrary to news reports conservationists are strenuously opposed to H.R. 12025, National Timber Supply bill. Proposal threatens America's national forests, scuttles historic multiple-use practices and undermines prospective parks, wilderness, open space and recreation areas. Bill sacrifices national forests to maximum timber cutting and excessive road-building without regard for protection of watershed, fish and wildlife, grazing, scenic and recreation values. Its adverse impact on watersheds alone contradicts our entire national effort to clean up America's lakes and rivers. Housing shortage is not caused by timber supply, but by other factors. Forest Service already has full authority to improve forestry practices given sufficient Congressional appropriations. This environmentally destructive bill, H.R. 12025, is contrary to the public interest.

SIGNERS

Michael McCloskey, Executive Director, Sierra Club.

Frank C. Daniel, Secretary, National Rifle Association.

Charles H. Callison, Executive Vice President, National Audubon Society.

Stewart Brandborg, Executive Secretary, The Wilderness Society.

Robert L. Herbst, Executive Director, Izaak Walton League of America.

Daniel Poole, President, Wildlife Management Institute.

Ray Kottrola, Washington Representative, Trout Unlimited.

Dr. Spencer Smith, Secretary, Citizens Committee on Natural Resources.

The Sierra Club, Wilderness Society, National Audubon Society, Izaak Walton League of America, National Rifle Association, Wildlife Management Institute, Trout Unlimited, and Citizens Committee on Natural Resources all joined in refuting the statement that they are "appeased" by H.R. 12025. I have been assured by these organizations and others in the conservation movement that they are unalterably opposed to H.R. 12025, as their statement clearly indicates.

Mr. Speaker, we are in the first days of the 1970's, described by President Nixon and others as the "decade of the environment." It is incredible that the first environmental bill to be considered by Congress in this decade of the environment is one that will denude major watersheds and rape our great national forests. All the years that have gone into management of national forests for sustained yield will be wiped out in this "decade of the environment," if H.R. 12025 is enacted. We cannot let proposals like H.R. 12025 set the tenor for dealing with our environmental problems in this decade. I agree with my friends in the conservation movement that—

This environmentally destructive bill, H.R. 12025, is contrary to the public interest.

SUSTAINING PRESIDENTIAL VETO OF LABOR-HEW APPROPRIATION BILL

Mr. DENNIS. Mr. Speaker, I ask unanimous consent to extend my own remarks

in the RECORD at this point and that these remarks may appear in the permanent RECORD of January 28, 1970, in the debate prior to the vote on the President's veto of the bill, H.R. 13111.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. DENNIS. Mr. Speaker, last July I voted for passage of H.R. 13111.

I had previously voted against the Joelson amendment to H.R. 13111 which had added almost \$900 million to the measure.

At that time, in a news release issued by my office, I said:

I voted for this bill, H.R. 13111, because a no vote would be against any money for the many worthy projects contained in this measure. A vote against any appropriation for these two departments (Labor and HEW) was one I was unwilling to cast.

I regretted, however, that I was required to vote for a bill to which approximately \$1 billion had been added over and above the request made by the President.

The increases made in this bill by amendments on the Floor, however desirable their objectives, in my judgment were not responsible. This is particularly true when our inflationary and budgetary problems are considered.

It is difficult to understand how, under the present inflationary conditions, a Member can add \$1 billion to an appropriation bill of this character. This holds true especially if he has recently cast a vote as many Members did, against raising the taxes to pay for this added government spending.

It is entirely incredible that we can do this sort of thing and still maintain the \$192 billion budgetary limit which the House just recently passed, along with the Senate.

It is continued irresponsible action of this kind which, repeated sufficiently often, will destroy our American form of government, as similar actions have destroyed so many republics in the past.

Following the action of the House the Senate added additional moneys, so that the \$20 billion HEW bill, as finally presented, is approximately \$1.3 billion in excess of the President's budget request. This budget request was, in itself, the largest HEW budget request in history. At the same time the cost-of-living index has increased another 3 percent since we voted last July.

It cannot be truthfully said that we are miserly toward education. Overall, in various programs, the Federal Government is currently spending more than \$10 billion on education, veto of H.R. 13111, or no.

Some \$400 million of the increase voted by the Congress was for so-called impacted aid, which benefits the 10th District of Indiana not at all—although we help to pay for it—and which is distributed on so inequitable a formula that \$5.8 million was paid out in 1968 to the Nation's richest county—with a population of 500,000—while only \$3.2 million went to the Nation's 100 poorest counties, with a combined population of over 3 million persons.

In addition the funds provided in H.R. 13111 would now have to be spent, with attendant waste, within the last few months of the current fiscal year.

Moreover, nearly nine-tenths of the congressionally voted increase is for mandatory programs, for which particu-

lar programs the money appropriated must be used, with no flexibility allowed to the executive. This general problem is further aggravated by a Senate amendment requiring specific earmarking and allocations for funds allotted for the OEO.

The extra benefits claimed for this bill would not aid the 25 million people on social security, the 9 million on public assistance, or the many millions of ordinary Americans trying to make ends meet and to pay their taxes, but its inflationary character, against which the President warned, and against which I warned last July, would indeed be felt by all of these people.

Much pressure has been brought to bear in an effort to override the veto of the President; but I agree—and I believe that a majority of Americans agree—with my constituent, a good American back home in the country, who telephoned me late at night before the veto vote and said:

We just wanted you to know that we listened to the President last night—and we think that he is right.

I think so too.

A reasonable compromise bill, providing an adequate appropriation for HEW will undoubtedly be worked out and passed, and I believe that I serve the long-range interests of all of the people I represent in voting to sustain the veto of H.R. 13111.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. PETTIS (at the request of Mr. GERALD R. FORD) for the balance of the week on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

The following Members (at the request of Mr. MIKVA) to revise and extend their remarks and include extraneous material:

Mr. GONZALEZ, for 10 minutes, today.
Mr. FLOOD, for 60 minutes, February 19.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. PRICE of Illinois, and to include extraneous material.

Mr. GROSS, and to include extraneous material.

Mr. ALBERT, and to include extraneous material.

(The following Members (at the request of Mr. CAMP) and to include extraneous material:)

Mr. LUJAN.
Mr. McEWEEN in two instances.
Mr. KEITH in three instances.
Mr. MESKILL.
Mr. GUBSER.
Mr. SCOTT.
Mr. HASTINGS.

Mr. HALL.
Mr. BROTZMAN.
Mr. QUILLEN.
Mr. MORSE.
Mr. HOGAN.
Mr. ESCH.
Mr. MCCLORY.
Mr. DERWINSKI in two instances.
Mrs. MAY.
Mr. SCHERLE.
Mr. BURKE of Florida.
Mr. BUCHANAN.
Mr. WYMAN in two instances.
Mr. BERRY.
Mr. SCHWENGEL.

(The following Members (at the request of Mr. MIKVA) and to include extraneous material:)

Mr. CLAY in six instances.
Mr. MONAGAN in two instances.
Mr. TEAGUE of Texas in two instances.
Mr. THOMPSON of New Jersey in two instances.
Mr. FLOOD in two instances.
Mr. HUNGATE in six instances.
Mr. PODELL.
Mr. MONTGOMERY.
Mr. GONZALEZ in three instances.
Mr. BURKE of Massachusetts.
Mr. O'NEAL of Georgia.
Mr. ALBERT.
Mr. RARICK in three instances.
Mr. ROONEY of New York in two instances.
Mr. NICHOLS.
Mr. MIKVA in six instances.
Mr. EDMONDSON in two instances.
Mr. DONOHUE.
Mr. MAHON.
Mrs. GRIFFITHS in two instances.
Mr. DANIEL of Virginia.
Mr. JACOBS.
Mrs. SULLIVAN in four instances.
Mr. JOHNSON of California in three instances.
Mr. KEE.
Mr. KOCH.
Mr. GRAY in two instances.
Mr. CHARLES H. WILSON.

SENATE BILLS AND CONCURRENT RESOLUTION REFERRED

Bills and a concurrent resolution of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 2116. An act to provide for the inspection of certain egg products by the U.S. Department of Agriculture; restriction on the disposition of certain qualities of eggs; uniformity of standards for eggs in interstate or foreign commerce; and cooperation with State agencies in administration of this Act; and for other purposes; to the Committee on Agriculture.

S. 2707. An act to consent to the interstate compact on air pollution between the States of Ohio and West Virginia; to the Committee on the Judiciary.

S. Con. Res. 53. Concurrent resolution authorizing the printing of the National Estuarine Pollution Study as a Senate document; to the Committee on House Administration.

ENROLLED JOINT RESOLUTIONS SIGNED

Mr. FRIEDEL, from the Committee on House Administration, reported that that committee had examined and found truly enrolled joint resolutions of the

House of the following titles, which were thereupon signed by the Speaker:

H.J. Res. 888. Joint resolution to authorize the President to designate the period beginning February 13, 1970, and ending February 19, 1970, as "Mineral Industry Week";

H.J. Res. 1051. Joint resolution designating the week commencing February 1, 1970, as "International Clergy Week" in the United States, and for other purposes; and

H.J. Res. 1072. Joint resolution making further continuing appropriations for the fiscal year 1970, and for other purposes.

ADJOURNMENT

Mr. MIKVA. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 2 o'clock and 15 minutes p.m.), the House adjourned until tomorrow, Wednesday, February 4, 1970, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1598. A communication from the President of the United States, transmitting proposed revisions of his original 1970 appropriation request for the Department of Health, Education, and Welfare (H. Doc. No. 91-218); to the Committee on Appropriations and ordered to be printed.

1599. A letter from the Deputy Secretary of Defense, transmitting a report on funds obligated in the chemical warfare and biological research programs and certain programs heretofore administratively combined with them, covering the first 6 months of fiscal year 1970, pursuant to the provisions of section 409, Public Law 91-121; to the Committee on Armed Services.

1600. A letter from the Secretary of State, transmitting a draft of proposed legislation to amend the Foreign Military Sales Act; to the Committee on Foreign Affairs.

1601. A letter from the Acting Director of the Peace Corps, transmitting a draft of proposed legislation to amend further the Peace Corps Act (75 Stat. 612), as amended; to the Committee on Foreign Affairs.

1602. A letter from the Acting Secretary of Transportation, transmitting a draft of proposed legislation to authorize appropriations for procurement of vessels and aircraft and construction of shore and offshore establishments for the Coast Guard; to the Committee on Merchant Marine and Fisheries.

1603. A letter from the Chairman, U.S. Civil Service Commission, transmitting a report summarizing actions taken with respect to positions in grades GS-16, 17, and 18 under 5 U.S.C. 5108(a) during the calendar year 1969, pursuant to the provisions of 5 U.S.C. 5114; to the Committee on Post Office and Civil Service.

1604. A letter from the Administrator, National Aeronautics and Space Administration, transmitting a draft of proposed legislation to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and research and program management, and for other purposes; to the Committee on Science and Astronautics.

1605. A letter from the Director, National Science Foundation, transmitting a draft of proposed legislation to authorize appropriations for activities of the National Science Foundation, and for other purposes; to the Committee on Science and Astronautics.

1606. A letter from the Chairman, U.S. Atomic Energy Commission, transmitting a draft of proposed legislation to authorize ap-

propriations to the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes; to the Joint Committee on Atomic Energy.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HANLEY: Committee on Post Office and Civil Service. H.R. 13008. A bill to improve position classification systems within the executive branch, and for other purposes; with amendments (Rept. No. 91-823). Referred to the Committee of the Whole House on the state of the Union.

Mr. SISK: Committee on Rules. House Resolution 816. Resolution for consideration of H.R. 14810, a bill to amend section 602(3) and section 608c(6)(I) of the Agricultural Marketing Agreement Act of 1937, as amended, so as to authorize production research under marketing agreement and order programs (Rept. No. 91-824). Referred to the House Calendar.

Mr. MATSUNAGA: Committee on Rules. House Resolution 817. Resolution for consideration of S. 2214, an act to exempt potatoes for processing from marketing orders (Rept. No. 91-825). Referred to the House Calendar.

Mr. YOUNG: Committee on Rules. House Resolution 818. Resolution for consideration of H.R. 3786, a bill to authorize the appropriation of additional funds necessary for acquisition of land at the Point Reyes National Seashore in California (Rept. No. 91-826). Referred to the House Calendar.

Mr. DELANEY: Committee on Rules. House Resolution 819. Resolution for consideration of H.R. 15165, a bill to establish a Commission on Population Growth and the American Future (Rept. No. 91-827). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. SMITH of New York: Committee on the Judiciary. H.R. 2047. A bill for the relief of Roseanne Jones (Rept. No. 91-811). Referred to the Committee of the Whole House.

Mr. SMITH of New York: Committee on the Judiciary. H.R. 2950. A bill for the relief of Edwin E. Fulk (Rept. No. 91-812). Referred to the Committee of the Whole House.

Mr. WALDIE: Committee on the Judiciary. H.R. 3558. A bill for the relief of Thomas A. Smith; with an amendment (Rept. No. 91-813). Referred to the Committee of the Whole House.

Mr. WALDIE: Committee on the Judiciary. H.R. 4480. A bill for the relief of John W. Watson, a minor; with an amendment (Rept. No. 91-814). Referred to the Committee of the Whole House.

Mr. WALDIE: Committee on the Judiciary. H.R. 8470. A bill for the relief of 1st Lt. Jackie D. Burgess; with amendments (Rept. No. 91-815). Referred to the Committee of the Whole House.

Mr. SANDMAN: Committee on the Judiciary. H.R. 12176. A bill for the relief of Bly D. Dickson, Jr.; with amendments (Rept. No. 91-816). Referred to the Committee of the Whole House.

Mr. FLOWERS: Committee on the Judiciary. H.R. 12887. A bill for the relief of John A. Avdeef; with an amendment (Rept. No. 91-817). Referred to the Committee of the Whole House.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

For actions of Feb. 9, 1970
91st-2nd. No. 17

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HIGHLIGHTS: House passed bill to exempt potatoes for processing from marketing orders.

HOUSE

1. POTATOES. Passed by a voice vote S. 2214, to exempt potatoes for processing from marketing orders. pp. H691-3
2. REORGANIZATION. Both Houses received the President's message transmitting Reorganization Plan No. 1 of 1970, the proposed establishment of a new Office of Telecommunication Policy (H. Doc. 91-222); to Government Operations Committees. pp. H690-1, S1452

3. HISTORIC PROPERTY. The Interior and Insular Affairs subcommittee approved for full committee action H. R. 14896 amended, to amend the act of October 15, 1966, establishing a program for the preservation of additional historic properties throughout the Nation. p. D81-2
4. INTEREST RATES; INFLATION. Rep. Melcher said that "The administration policy of driving interest rates higher has not controlled inflation but has created a money crisis." p. H697
Rep. Collins suggested that a balanced budget is needed to stop inflation. pp. H697-8
5. FARM PAYMENTS. Rep. Berry commended this Department's announcement that "full payments will be made as soon as possible after July 1, 1970." pp. H698-9
6. TEXTILE IMPORTS. Rep. Mann deplored the textile import situation. p. H699
7. FOOD IRRADIATION. Rep. Price, Ill., objected to Army plans to terminate its research and development activities in the preservation of foods by ionizing radiation. pp. H734-5
8. FEDERAL CROP; AUDIT. Received from GAO a report on the audit of the Federal Crop Insurance Corporation (H. Doc. 91-223); to Government Operations Committee.

SENATE

9. SURPLUS PROPERTY. Sen. Jackson discussed his proposed bill which would provide local surplus property acquisition for recreational purposes, and inserted a summary prepared by GSA of surplus real property and related personal property for disposal under the Federal Property and Administrative Services Act of 1949, as amended. pp. S1434-7
10. BIOLOGICAL PROGRAMS. Sen. Gore announced that the Foreign Relations Committee had been discharged from further consideration of H. J. Res. 589, and that it had been referred to the Committee on Labor and Public Welfare. p. S1509
11. FOREIGN TRADE. Sen. Cotton recited the damage done to the domestic economy by foreign imports and demanded immediate investigation of all foreign trade barriers to American exports. p. S1412
12. POLLUTION; ENVIRONMENT. Sen. Moss noted that measures "to eliminate or control pollution are costly, and necessarily will have an impact on industry and on our economy", and inserted a newspaper review of pollution programs in Britain. pp. S1422-3
Sen. Eagleton inserted Sen. Muskie's statement on the environmental budget requests by the administration, which questions certain of the budgetary priorities. pp. S1433-4

EXTENSION OF REMARKS

13. FORESTS; TIMBER YIELD. Rep. Pelly commended House action to cancel consideration of H. R. 12025, the proposed high timber yield bill. p. E813

new unit would be headed by a Director and a Deputy Director who would be appointed by the President with the advice and consent of the Senate. The existing office held by the Director of Telecommunications Management in the Office of Emergency Preparedness would be abolished.

In addition to the functions which are transferred to it by the reorganization plan, the new Office would perform certain other duties which I intend to assign to it by Executive order as soon as the reorganization plan takes effect. That order would delegate to the new Office essentially those functions which are now assigned to the Director of Telecommunications Management. The Office of Telecommunications Policy would be assisted in its research and analysis responsibilities by the agencies and departments of the Executive Branch including another new office, located in the Department of Commerce.

The new Office of Telecommunications Policy would play three essential roles:

1. It would serve as the President's principal adviser on telecommunications policy, helping to formulate government policies concerning a wide range of domestic and international telecommunications issues and helping to develop plans and programs which take full advantage of the nation's technological capabilities. The speed of economic and technological advance in our time means that new questions concerning communications are constantly arising, questions on which the government must be well informed and well advised. The new Office will enable the President and all government officials to share more fully in the experience, the insights, and the forecasts of government and non-government experts.

2. The Office of Telecommunications Policy would help formulate policies and coordinate operations for the Federal government's own vast communications systems. It would, for example, set guidelines for the various departments and agencies concerning their communications equipment and services. It would regularly review the ability of government communications systems to meet the security needs of the Nation and to perform effectively in time of emergency. The Office would direct the assignment of those portions of the radio spectrum which are reserved for government use, carry out responsibilities conferred on the President by the Communications Satellite Act, advise State and local governments, and provide policy direction for the National Communications System.

3. Finally, the new Office would enable the executive branch to speak with a clearer voice and to act as a more effective partner in discussions of communications policy with both the Congress and the Federal Communications Commission. This action would take away none of the prerogatives or functions assigned to the Federal Communications Commission by the Congress. It is my hope, however, that the new Office and the Federal Communications Commission would cooperate in achieving certain reforms in telecommunica-

tions policy, especially in their procedures for allocating portions of the radio spectrum for government and civilian use. Our current procedures must be more flexible if they are to deal adequately with problems such as the worsening spectrum shortage.

Each reorganization included in the plan which accompanies this message is necessary to accomplish one or more of the purposes set forth in section 901(a) of title 5 of the United States Code. In particular, the plan is responsive to section 901(a)(1), "to promote the better execution of the laws, the more effective management of the executive branch and of its agencies and functions, and the expeditious administration of the public business;" and section 901(a)(3), "to increase the efficiency of the operations of the government to the fullest extent practicable."

The reorganizations provided for in this plan makes necessary the appointment and compensation of new officers, as specified in sections 3(a) and 3(b) of the plan. The rates of compensation fixed for these officers are comparable to those fixed for other officers in the executive branch who have similar responsibilities.

This plan should result in the more efficient operation of the government. It is not practical, however, to itemize or aggregate the exact expenditure reductions which will result from this action.

The public interest requires that government policies concerning telecommunications be formulated with as much sophistication and vision as possible. This reorganization plan—and the executive order which would follow it—are necessary instruments if the government is to respond adequately to the challenges and opportunities presented by the rapid pace of change in communications. I urge that the Congress allow this plan to become effective so that these necessary reforms can be accomplished.

RICHARD NIXON.

THE WHITE HOUSE, February 9, 1970.

EXEMPT POTATOES FOR PROCESSING FROM MARKETING ORDERS

Mr. MATSUNAGA. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 817 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 817

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 2214) to exempt potatoes for processing from marketing orders. After general debate, which shall be confined to the bill and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from Hawaii (Mr. MATSUNAGA) is recognized for 1 hour.

Mr. MATSUNAGA. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio (Mr. LATTA), pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 817 provides an open rule with 1 hour of general debate for consideration of S. 2214 to exempt potatoes used for processing from marketing orders.

The purpose of S. 2214 is to exempt from the coverage of Federal marketing orders, for a period of 2 years following the date of enactment of this legislation, potatoes used for dehydrating, chipping, or other processing, and thereby affording these potatoes the same treatment provided potatoes used for canning and freezing.

At the present time the Agricultural Marketing Agreement Act of 1937, as amended in 1946, provides an exemption for canning potatoes and freezing potatoes.

S. 2214 merely extends the same exemption to potatoes used in the dehydration process, a relatively new technique, which is growing in importance every year. Since the marketing order law has historically recognized the distinction between fresh agricultural commodities and those used for processing, the exemption being sought is no different from exemptions allowed under present law.

From the viewpoint of equity, too, the proposal cannot be denied, for the various methods of processing compete in business with each other. It is only fair that the same rules apply to all three processors. To deny dehydrators and other processors the exemption now enjoyed by canning and freezing processors would mean the continuing grant of an unfair advantage to the latter in their competition for the national market.

Although the Committee on Agriculture did not feel that the enactment of the bill would weaken marketing orders, an automatic review of the effect of the legislation was provided by the 2-year limit for this new exemption.

There is widespread grower support for this legislation, and the Committee report is explicit in stating that approval of this legislation does not establish a precedent for other products or for potatoes that are not processed.

A most welcome aspect of the proposed legislation is that its enactment will result in no added costs to the Government. In fact, it may mean some savings in Government expenditures because of the reduction in administrative services within the Department of Agriculture which is likely to follow.

Mr. Speaker, I urge the adoption of House Resolution 817 in order that this House may consider and pass S. 2214, a bill which certainly is not a "hot potato."

Mr. LATTA. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LATTA asked and was given permission and to revise and extend his remarks.)

Mr. LATTA. Mr. Speaker, the purpose of the bill is to exempt from the

coverage of Federal marketing orders, potatoes used for dehydrating, chipping, or other processing operations.

Historically, Federal marketing order law has recognized the distinction between fresh agricultural commodities and those grown to be processed. With respect to potatoes, the original 1937 Marketing Agreement Act provided an exemption for potatoes to be used in canning. A further exemption for freezing was added in 1946 when that process was perfected. Now another exemption is needed to keep the industry up to date with dehydration and other newly perfected processes.

The exemption is for a 2-year period. The Department of Agriculture has advised that no increased cost to the Government will result from passage of this legislation; it is not too happy with the bill, believing it will reduce the effectiveness of marketing orders in view of the increasing quantities of potatoes going into exempted uses.

There are no minority views.

Mr. Speaker, I have no further requests for time.

Mr. MATSUNAGA. Mr. Speaker, I have no further requests for time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. PURCELL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill—S. 2214—to exempt potatoes for processing from marketing orders.

The SPEAKER pro tempore (Mr. ALBERT). The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill, S. 2214, with Mr. BURKE of Massachusetts in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Texas (Mr. PURCELL) will be recognized for 30 minutes and the gentleman from Oklahoma (Mr. BELCHER) will be recognized for 30 minutes.

The Chair now recognizes the gentleman from Texas.

Mr. PURCELL. Mr. Chairman, I yield myself whatever time I may consume.

Mr. Chairman, S. 2214 is needed to update the National Marketing Order Act of 1937 as it applies to potatoes. When the act was first passed, all fruits and vegetables for canning were exempt from marketing orders. The reason that only canning was mentioned was because canning was the only major method of preserving food at that time. In 1946, when freezing had become a major method of food preservation, the Marketing Order Act was amended to exempt all fruits and vegetables for canning or freezing from marketing orders.

Today, in the potato industry, we have chaos. Potatoes for canning and freezing

are exempt from marketing orders. But, potatoes for dehydration, potato shoestrings, and potato chips are subject to marketing orders. This chaos is increased by the fact that potatoes are grown throughout the United States. They are planted nearly every day somewhere in the country, and harvested everyday somewhere else in this great Nation. While Idaho, Washington, Oregon, and Colorado have marketing orders, Maine, North Dakota, Minnesota, Michigan, Wisconsin, and Pennsylvania, and other major potato producing areas do not have marketing orders.

The necessity for this bill was realized when a shoestring manufacturer in California was subjected to a marketing order for controlling the size of potatoes which he could purchase while his two major competitors in New York and Arkansas were not subject to marketing orders and similar controls.

Mr. Chairman, among my constituents is one of the truly great national potato chip companies. They manufacture and distribute potato chips and other snacks nationally. They have told me of the terrible difficulties and entanglements, the hardships to producers and consumers alike, that will result if their plants in some areas of the country are subjected to marketing order regulations that do not apply to their competitors who sell in the same markets. This bill will prevent this happening. This is a good bill that was carefully considered in the Agricultural Committees of both the Senate and the House. It passed the Senate by a voice vote and I urge my colleagues to vote for it here today. Thank you.

[Mr. PURCELL addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mrs. MAY. Mr. Chairman, will the gentleman yield?

Mr. PURCELL. I would be glad to yield to the distinguished gentlewoman from Washington.

... (Mrs. MAY asked and was given permission to revise and extend her remarks.)

Mrs. MAY. I would like to speak to the point raised by the gentleman from Iowa.

I might tell the gentleman that a great deal of concern was expressed by potato producer groups in certain parts of the country that this bill would weaken the effectiveness of marketing orders. Other producers of fruits and vegetables also testified against the bill on the basis of the fact that they felt this legislation would set a precedent that would weaken existing marketing orders on other commodities. Even the U.S. Department of Agriculture had some reservations in this respect and presented to our committee the views outlined in their letter on page 3 of our Agriculture Committee report.

So, although our committee does not feel that enactment of the bill would significantly reduce the effectiveness of marketing orders as a means of strengthening returns to the producers of various agricultural products that utilize marketing orders, we decided that in order to provide for automatic review of the effect of this exemption we should at this time approve only a 2-year bill. Then,

if our review reveals that marketing orders were, in fact, adversely affected by this legislation, we would have an opportunity to make needed corrections. If on the other hand, it becomes evident from the review that the legislation created no problems, we could look forward to making it permanent.

I wanted also during the course of this colloquy with the gentleman from Texas (Mr. PURCELL) to make this quite clear to some potato producer groups as well as other producers of fruits and vegetables who have this great concern about the bill as it is presently written.

Mr. PURCELL. I thank the distinguished gentlewoman from Washington for her comments.

Mr. Chairman, I yield back the balance of my time.

Mr. BELCHER. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. GOODLING).

(Mr. GOODLING asked and was given permission to revise and extend his remarks.)

Mr. GOODLING. Mr. Chairman, I rise in support of this bill which would set a uniform and consistent rule for all potato processors.

This bill, which has been approved by the Committee on Agriculture with only three dissenting votes, would exempt from the coverage of any Federal marketing order—for a period of 2 years following the date of enactment of this bill—potatoes used for dehydrating, chipping, or other processing. It would thereby give these particular potatoes the same treatment that the law now affords potatoes for canning or freezing which are presently exempt from the application of Federal marketing orders.

When we held the hearings on this legislation in the Subcommittee on Domestic Marketing, it became clear that the present law was discriminatory against dehydrators and other processors. Some processors—those purchasing potatoes for canning or freezing—are exempt from the Marketing Order Act, but other potato processors—those dehydrating potatoes, for example—were subject to the restrictions of volume, quality, timing, and other administrative regulations inherent in a marketing order.

This bill, then, simply would treat all potato processors the same—that is, it would exempt them from Federal orders.

As the gentleman from Texas (Mr. PURCELL) has pointed out, the 2-year life on the exemption provided under this bill will no doubt be extended. I did not feel we needed to put a 2-year life on the bill, but in order to allay the fears of some grower groups, the committee agreed to this compromise.

Personally, I can see little justification in the inclusion of any processor within the umbrella of a Federal marketing order for fruits and vegetables. The act itself through the years and since its adoption in 1937 has carefully confined its application to fresh fruits and vegetables. With only a few exceptions have processing crops been included. The action by the House, in approving this bill, would certainly be helpful in forming

future policy as to the treatment of processors under this program.

A second reason I feel this bill is desirable is that it is a reflection of the fact that modern technology has changed the potato processing business. In the 1930's canning was exempted. In the 1940's freezing was exempted. And now, in the 1970's, dehydrating and other processing is exempted. This is nothing more than a reflection of the changing technology in potato processing.

In summary, Mr. Chairman, I urge that this bill be passed and sent to the President today. It is a good bill because it reflects technological change and because it treats all potato processors the same. It also manifests a sound congressional policy in regard to the exemption from marketing orders of processing crops.

Mr. BELCHER. Mr. Chairman, I yield myself such time as I may consume.

(Mr. BELCHER asked and was given permission to revise and extend his remarks.)

Mr. BELCHER. Mr. Chairman, I think that this is a good bill. It places the firms that are in the operation of dehydrating and chipping potatoes in the same category of those who are canning and freezing. I think that by having those exemption orders but keeping the dehydration under the order is certainly worse than unfair competition. So I am in favor of the bill.

Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. GUBSER).

(Mr. GUBSER asked and was given permission to revise and extend his remarks.)

Mr. GUBSER. Mr. Chairman, I rise in support of S. 2214. I am one of the sponsors of H.R. 11243 which is a similar bill. This legislation originated as a result of a grave injustice that was done to a business concern in San Jose, Calif. The Pik-Nik Co. was founded over 30 years ago in San Jose and has manufactured high-quality potato shoestrings from small potatoes which farmers otherwise could not market because of their small size. By producing shoestrings from these potatoes, Pik-Nik was creating a market for the small size potatoes for the growers and at the same time supplying the consumer with a low-priced snack product of high customer acceptability.

For 30 years, Pik-Nik bought size B potatoes from the Klamath Basin and shipped them to San Jose for processing into shoestring potatoes. Then suddenly in October of 1968, the USDA changed Marketing Order No. 947 to prohibit the shipment of size B potatoes. This action resulted in Pik-Nik being forced to make the painful choice of either continuing to do business at a loss or closing down their plant. The plant was ultimately closed; the entire payroll layed off; and many people suffered. The farmers who lost a market for their small potatoes found that they received less than one-third as much for these potatoes for livestock feed or starch, as they had been receiving from Pik-Nik.

In the meantime, Pik-Nik competitors in Arkansas and in New York State who were making similar products from similar potatoes, but were not operating

under marketing orders, were not affected. They continued to do business as usual.

Mr. Chairman, this legislation is needed if the Pik-Nik Co., is to be able to once again buy potatoes from the Klamath Basin with full confidence that they can rely on this supply without being discriminated against by marketing order regulations that do not apply to their competitors.

If these potatoes were to be frozen or canned there would be no problem. But since Pik-Niks' canned, precooked potatoes are not packed precisely in a manner conforming to the technical definition of a canned product the canning and freezing exemption does not apply. It seems that canning requires heat to be applied after the can is sealed and, of course, this is impossible with a shoestring potato. So we have another example of discrimination which is justified on the basis of a technicality.

The only difference between this bill and the one I introduced, is that my bill provided for an unlimited exemption, while this measure provides only for a 2-year exemption. I am sure that in 2 years, it will be necessary to extend this bill to make it permanent. But, at least for the next 2 years, Pik-Nik and other potato processors will know that their operations will not be disturbed by marketing order regulations that apply to them and do not apply to their competitors.

I, therefore, urge my colleagues to join me in voting for this legislation today.

Mr. QUIE. Mr. Chairman, at the present time the Agricultural Marketing Agreement Act of 1937 provides for an exemption for canning potatoes, adopted in 1937, and for freezing, adopted in 1946.

This bill merely adds the same exemption to potatoes used in the dehydration process. This is a relatively new technique which is growing in importance every year.

As these various methods of processing compete, it is only fair that the same rules apply to all three processes.

While the committee did not feel that the enactment of the bill would weaken marketing orders, it provided for an automatic review of the effect of the exemption by putting a 2-year limit on the bill. This limit was added by the Senate and accepted by the House Agriculture Committee.

I want my colleagues to know that I strongly favor marketing orders. We operate under a Federal marketing order in the Twin City area where the milk produced on my farm is marketed. Many potato growers benefit from marketing orders which I support.

The problem with a plant which dehydrates potatoes is that they would be covered by a marketing order if they were constructed in an area whose producers were covered by an order. Since it would be difficult for a dehydrating plant to compete with a plant which cans potatoes or freezes potatoes which are exempted under the present act, I think this legislation is necessary.

Exemptions from the Agricultural Marketing Agreements Act is not limited to potatoes. Numerous other com-

modities and processes are exempted. Again, referring back to marketing orders for milk, these are limited to fluid milk and are not utilized for manufactured milk meaning butter, cheese, and nonfat dry milk.

The committee report makes it clear that approval of this bill does not establish a precedent for other products or for potatoes that are not processed.

I shall vote in favor of this bill and urge other Members to do likewise.

Mr. BELCHER. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 8c(2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended as follows:

(1) In clause (A) after the words "vegetables (not including vegetables, other than asparagus, for canning or freezing)", insert the words "and not including potatoes for canning, freezing, or other processing"; and

(2) In clause (B) after the words "fruits and vegetables for canning or freezing," insert the words "including potatoes for canning, freezing, or other processing."

SEC. 2. The amendments made by this Act shall be effective only during the period beginning with the date of enactment of this Act and ending two years after such date.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker pro tempore (Mr. ALBERT) having resumed the chair, Mr. BURKE of Massachusetts, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (S. 2214) to exempt potatoes for processing from marketing orders, pursuant to House Resolution 817, had reported the bill back to the House.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

The question is on the third reading of the bill.

The bill was ordered to be read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

DEMOCRAT STATE OF THE UNION MESSAGE AN INDICTMENT OF THE PREVIOUS DEMOCRAT AD- MINISTRATION

(Mr. GERALD R. FORD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GERALD R. FORD. Mr. Speaker, I have great sympathy and understanding for my friend the Honorable CARL ALBERT, majority leader of the House of Representatives, as he and his Democratic colleagues sought to paste together a rebuttal to President Nixon's state of the Union message. In 1966, 1967, and 1968, I and my Republican

colleagues had similar experiences in responding to the then President's state of the Union message. At that time I noted the comments of the news media and I must confess I was not too happy. I suspect my Democratic friends have had a similar reaction to their presentation. Needless to say, I am glad to have some new members of the "club."

Technically, the Democratic state of the Union message was a well-staged program without much substance. There was a lot of talk about longstanding problems that have gone unsolved while the Democratic Party controlled both the White House and the Congress. They told us what the state of the Union was when they turned it over to President Nixon and a Republican administration, and we all must agree their efforts from 1961 through 1968 had left a lot to be desired.

I was surprised that the Democrats would emphasize crime in the city of Detroit, a community which has had Democratic mayors for a number of years. The record shows President Nixon submitted strong anticrime legislation to the Congress in 1969, and regrettably so far the Democratic-controlled Congress has not approved a single proposal in this Congress to combat the crime problem.

Also, it should be emphasized that all of the military procurement cost overruns on defense contracts were signed under a Democratic administration. Unfortunately, Secretary of Defense Laird now has the tough job of paying the billions with taxpayer dollars for those Democratic military procurement mistakes.

Mr. Speaker, I ask unanimous consent to insert in the RECORD a copy of the statement released by me on the Democratic state of the Union show.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The document referred to follows:

STATEMENT BY MR. GERALD R. FORD

The Democratic State of the Union message can best be described as an indictment of the previous Democratic Administration. It provided no answers but it did raise many questions. The essential question was . . . Where were the Democrats during the eight years before President Nixon came into office?

If we have a mess in our environment, as Senator Jackson stated, where were the Democrats while that mess was developing? Who made the mess? Who was in charge while all of this was going on?

Yes, we are suffering from chronic inflation. But what caused it? The \$57 billion in Democratic deficit spending during the 60's was the chief cause of the inflation we are wrestling with.

The Democrats complain of high interest rates. These interest rates are a direct result of Democratic inflation.

The Democrats talk about the crime problem yet they let the entire First Session of the 91st Congress go by without passing a single Nixon anti-crime bill.

In this State of the Union message, the Democrats have again shown themselves to be a party that talks about problems, spends more than the federal government takes in, but never solves any of the problems. The Democrats spent \$1/4 trillion on social needs during the eight years before President Nixon

entered the White House, and what do we have to show for it?

Let them answer that question in their next political side show.

CRIME

(Mr. ALBERT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ALBERT. Mr. Speaker, I do not know whether I can refute what the distinguished gentleman has said or not. At least we have caused him to feel that he should respond to us.

Mr. Speaker, I was particularly interested in what the gentleman said about the subject of crime. I am sure that he will agree that we are all against it. I think our record will stack up well against that of the administration.

The committees of the Congress, both the Committee on the Judiciary and the Committee on the District of Columbia, are now considering crime legislation.

Mr. Speaker, more than 2 weeks have passed since President Nixon in his state of the Union message summoned the Congress and the American people to join him in a war against crime. In calling us to do battle "against the criminal elements which increasingly threaten our cities, our homes, and our lives," the President's words were moving, his rhetoric lofty and his delivery flawless. The Congress had every reason to expect, I believe, the immediate submission of specific legislative proposals to support that frontline soldier in the war on crime, the man on the beat. Such has not been the case.

The Omnibus Crime Control and Safe Streets Act of 1968 was passed by the Democratic 90th Congress at the behest of President Lyndon B. Johnson. Title I of this measure authorizes Federal grants to strengthen local police departments in their fight against crime. Grants can be made for the recruitment and training of police officers. They can also be used to help pay their salaries. Moneys can be utilized for the construction of police stations, jails, and other physical facilities, as well as the purchase of the new type of sophisticated equipment required today for the effective prevention and detection of crime. The act also provides for strengthening courts, and speeding the process of justice.

Fighting crime at the local level, and crime is a problem which has to be fought at the local level, costs money and lots of it. Mayors and police chiefs without exception tell me this is what they need from the Federal Government; they need more of it and need it quicker and with less bureaucratic redtape. It was because of this that the distinguished chairman of the House Judiciary Committee, the gentleman from New York (Mr. CELLER), introduced H.R. 14341 on October 14, 1969. This bill would provide an authorization of \$750 million for law-enforcement grants for fiscal year 1971. The current authorization terminates June 30 of this year. Hearings on crime in the streets were announced by Chairman CELLER on January 16. Despite a request by the House Judiciary Committee for departmental comment—and despite the

fact that this bill was introduced several months ago—the Justice Department has yet to express its views on H.R. 14341. Even more mysterious, however, I find the failure of the White House or the Justice Department to date to submit a draft bill or any form of Executive communication on the funding subject to the Congress. This failure most certainly belies the grave sense of urgency with which the President dealt with crime in his state of the Union message.

I am fearful that 1970 may witness a repeat performance of the charade we experienced so often last year in connection with administration proposals. According to this script, the President enunciates some lofty generalities, usually delivered to the American people via television; Congress is then forced to wait many weeks and often months before any concrete legislative measures are received from the Executive. It is, of course, impossible for a congressional committee to hold hearings on a White House press release. When legislation is finally transmitted, the President or one of his spokesmen then quickly berates Congress for failing to act promptly on his recommendations.

The President and his administration appear to be a great deal more interested in winning public relations victories than victories in the war against crime.

Rhetoric rather than results is obviously the hallmark of the present Republican administration.

FIGHT AGAINST CRIME

(Mr. ABERNETHY asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and include extraneous matter.)

Mr. ABERNETHY. Mr. Speaker, I have just listened to the remarks of my friend, the gentleman from Michigan (Mr. FORD) and the remarks of my friend, the gentleman from Oklahoma (Mr. ALBERT) on the subject of crime and the attempt of each to lay blame on the other's political party for the very serious crime situation that has developed in our country. At least, that is the way I interpreted their remarks, and I feel sure I got the point of each.

I think everyone knows I am nonpartisan in my views. I do not really know how to play party politics. I have always been more interested in my country than my party. Maybe, at times, I have appeared to be partisan but I have always given the welfare of my country first consideration.

With all deference to the party leaders of this body, I do not think the country is really impressed with the charges or insinuations that the other fellow's party is for crime while his is against it; or that one is more against it than the other; or that one does more to put down crime than the other.

Mr. Speaker, the people of this country know the leadership of both political parties and the Members of this House are opposed to crime. It would be absurd to think otherwise. I am sure they know that everyone is trying to do his best to put down crime. No one tolerates crime except the criminal. There are no



Public Law 91-196
91st Congress, S. 2214
February 20, 1970

An Act

84 STAT. 14

To exempt potatoes for processing from marketing orders.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 8c(2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended as follows:

Agricultural
Adjustment Act,
amendment.
68 Stat. 906;
75 Stat. 304.
7 USC 608c.

(1) In clause (A) after the words "vegetables (not including vegetables, other than asparagus, for canning or freezing", insert the words "and not including potatoes for canning, freezing, or other processing"; and

(2) In clause (B) after the words "fruits and vegetables for canning or freezing," insert the words "including potatoes for canning, freezing, or other processing,".

SEC. 2. The amendments made by this Act shall be effective only during the period beginning with the date of enactment of this Act and ending two years after such date.

Approved February 20, 1970.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 91-802 (Comm. on Agriculture).
SENATE REPORT No. 91-418 (Comm. on Agriculture & Forestry).
CONGRESSIONAL RECORD:

Vol. 115 (1969): Oct. 16, Considered and passed Senate.
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